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U.S. News World Report

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No. 45 in a series:

TACTICAL PROBLEM: ***To raise a protective "umbrella" against jet attacks at sea—in nothing flat***

PRACTICAL REPLY: ***The fastest carrier-based fighter plane in naval history***

—the DOUGLAS F4D Skyray

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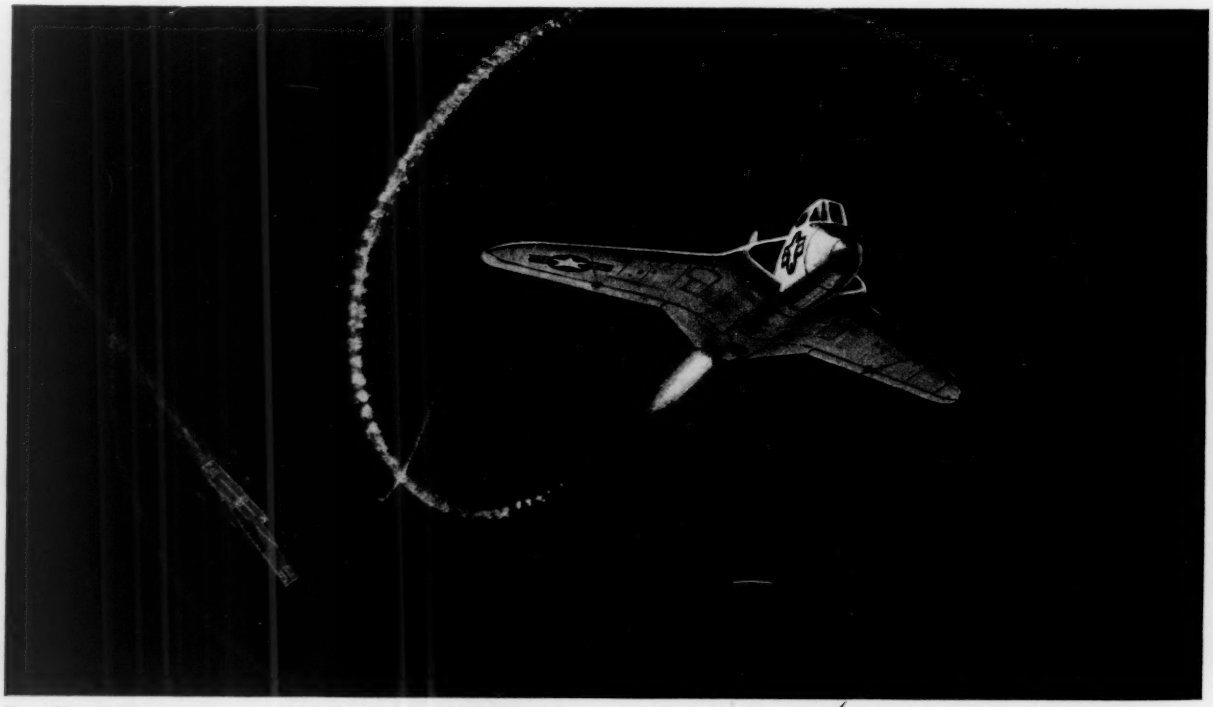

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WHETHER this year is up or down a bit from last, isn't it still a bigger year than you would have thought possible ten years ago? America is always like that. The opportunity for profit makes men "do better than they know how." With atomic power, electronics, new synthetics, new drugs—we haven't seen anything yet.

Of course, the companies who are *ready* for the future with low-cost plants always reach that future first, make more profit in it, and win new, greater stature in their industries. And in dips between periods of prosperity, the low-cost plant is the only one to earn a profit at all . . . sometimes the only one to survive.

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IN THIS ISSUE

★ Choices That Are Offered To Youths of Military Age

Given here are the alternatives that Congress finally has agreed to offer young men of military age. You get, in down-to-earth terms, what lies ahead for them under the new armed-forces Reserve bill, how the new rules will affect high-school graduates, veterans, youths awaiting draft, men in service. See page 35.

★ Is U.S. "Overemphasizing" Air Power?

For the full text of General Ridgway's parting criticism of an "inadequate" U.S. defense policy, see page 70. Secretary Wilson's side of the argument is on page 58.

★ What Really Impressed Russians in Iowa

Here is an eyewitness report, from an accompanying *U.S. News & World Report* team of writer, interpreter and photographer, on what the Russian farmers learned in Iowa. Page 38.

★ Contents

March of News 4
Tomorrow: A Look Ahead 7
Washington Whispers 10
People of the Week 14
Did Geneva Really Settle Anything? 19
★How the World Sizes Up Big 4 Meeting 22
The "Big Two" at Geneva 27
★37 Million Babies—Key to Business Future 30
Military Service: ABC's of the New Rules 35
In the Corn Belt . . . What the Russians Learned 38
Jet Rides—Sooner Than You Think 44
Unions in Politics: New Test 49
Why U. S. Cuts Troops in Far East 50
Worldgram 53
The Man—The News: Charles E. Wilson—Arms-Policy Discord 58
A Tax Benefit Industry May Lose 62
News You Can Use 67
What Gen. Ridgway Finds Wrong With U. S. Defenses—In Full Text 70
Labor Week: A Pay Raise for Millions 75
News-Lines for Businessmen 78
We've Been Asked: About New Court Rulings on Mixing Schools 81
Ike's Plan for Arms Inspection 82
How Aerial Inspection Would Work —by Col. Richard S. Leghorn 83
Trend of Business 85
Plus and Minus: Indicators of Business Activity 91
Finance Week: Ike's Budget—Still in Trouble 92
Business Around the World 97
What Big 4 Leaders Stood For at Geneva Full Texts of Their Speeches 99
David Lawrence Editorial 112

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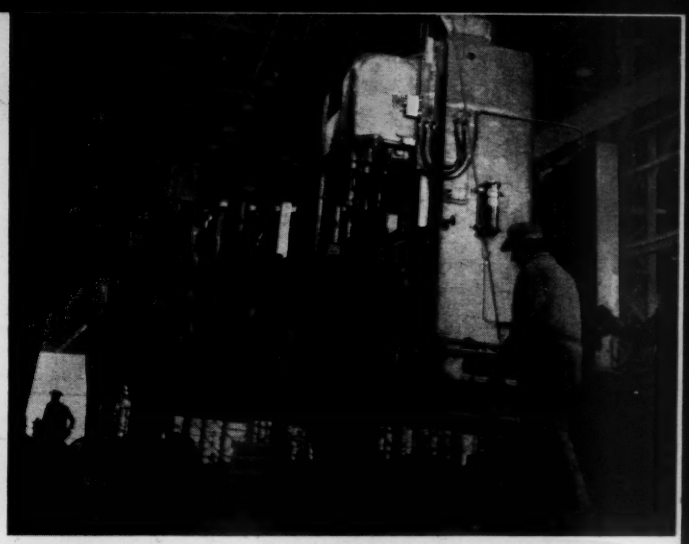
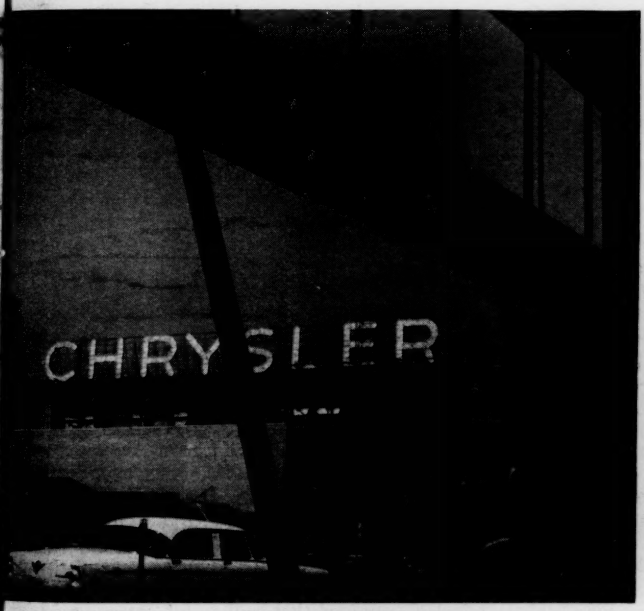
PRODUCTION TO MEET DEMAND! This new $35,000,000 PowerFlite automatic transmission plant is now under construction at Kokomo, Indiana. When it is completed, manufacturing capacity for these popular units will be doubled!



THE FORWARD LOOK IS ON THE MOVE! To triple the current output of Plymouth V-8 engines, a $50,000,000 engine plant, with latest automation equipment in the industry is now nearing completion. Its capacity will be 3000 engines a day.



EXPANSION AT CHRYSLER DIVISION! To help meet the increasing demand for the cars of THE FORWARD LOOK, a $20,000,000 plant expansion program will increase the production capacity of Chrysler and Imperial cars by 40%.

KEEP YOUR EYE ON THE FORWARD LOOK! Multi-million dollar construction begins the greatest Engineering and Design facilities expansion in the company's history. Purpose: to keep bringing you cars demonstrably better than any others.

This, Too, Is THE *FORWARD* LOOK

THINGS ARE ON THE MOVE AT CHRYSLER CORPORATION. And THE FORWARD LOOK is moving ahead with current plant expansion projects amounting to $125,000,000. The basic philosophy of THE FORWARD LOOK is dedicated to one proposition: To bring to the American motoring public a car at *every* price level that gives you more driving pleasure, better performance and greater value than any other car at *any* price!

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MORE ATOMIC SUBS

As the Navy launched its second atomic submarine, the U.S.S. *Seawolf*, in traditional ceremonies at Groton, Conn., the nation got a preview of more to come.

Navy Secretary Charles S. Thomas outlined plans for a large nuclear fleet composed of all types of vessels. During this fiscal year, he said, the Navy will have eight nuclear-powered submarines in being or under construction and, "in rapid succession thereafter, many others."

Lewis L. Strauss, Chairman of the Atomic Energy Commission, revealed that a power plant similar to the *Seawolf's* atomic engines has operated at full power "long enough to have propelled the *Seawolf* on a 2,250-mile, nonstop trip, fully submerged." That, said Mr. Strauss, was the equivalent of an undersea voyage from St. Johns, Newfoundland, to Dover, England.

GI'S AND FOREIGN LAW

A senate committee reported on the treatment of American servicemen by foreign courts. Under existing treaties and agreements, U. S. forces in 60 countries come under some degree of foreign jurisdiction when they commit certain offenses. On the whole, the committee found, the agreements are working "satisfactorily."

In the year ending December, 1954, the Senators reported, 7,416 offenses subject to foreign jurisdiction were committed by U. S. servicemen. Waivers were granted on about 73 per cent of these. Only 1,475 cases were tried by foreign tribunals, and only 77 Americans actually went to prison. Longest sentence imposed was 15 years for a robbery-murder.

TAFT, FDR MEMORIALS?

A proposed memorial to the late Senator Robert A. Taft in the nation's capital has been gathering congressional steam for some time. President Eisenhower has endorsed the idea, along with many legislators.

Last week, the Senate passed and sent to the House a proposal to build a privately financed bell tower in Washington on the Capitol grounds in memory of the Ohio Republican.

At the same time, Senators approved a plan to honor another American, by passing legislation to set up a 12-man commission to study the possibility of a memorial in Washington to President Franklin D. Roosevelt. This memorial, it was suggested, might be built on the banks of the Potomac, near the memorials to Presidents Washington, Jefferson and Lincoln.

KREMLIN OPEN HOUSE

The new air of geniality coming from Soviet politicians around the world was in evidence back home, too. For the first time since 1923, the gates of the Kremlin were thrown open to the general public. On "opening day," 20,000 Russians thronged the Kremlin grounds in holiday mood. Among them were many natives of Moscow who never before had had an intimate glimpse of the ancient citadel.

"WANTED"—BY U. S.

Something new will be added to the nation's college campuses next fall when Government "recruiters" launch a campaign to fill 10,000 federal jobs. A team of Government representatives will make the college-campus circuit, competing with industry for top college graduates. Sponsored by the Government, the team will meet with college placement officers and students; conduct an all-out promotion campaign.

To be offered: jobs paying from $3,670 to $5,000 a year to start.

"AFL&CIO"

A different kind of "labor dispute" confronted top officials of the American Federation of Labor and the Congress of Industrial Organizations, as they met to iron out the final details of their coming merger. On the agenda was a name for the giant organization of labor unions that will result. After four hours of hard bargaining, they came up with a mouthful: "The American Federation of Labor and the Congress of Industrial Organizations." The "AFL&CIO" will hold its first merger convention on December 5.

POLIO DOWN—FOR NOW

New cases of polio in the U. S. during the second week of July were reported at 565. That compared with 1,053 cases in the corresponding week of 1954, and a five-year average for the week of 1,044. Public health officials were not ready to say whether the Salk vaccine could be credited for the decrease. And they warned against too much optimism, since a polio season that starts mildly may later become severe.

GIANT ANTENNA. This Bell Laboratories 60-foot experimental antenna is the largest in the world for ultra-high frequencies. It can pick up telephone and television signals sent directly through space for 200 miles.

HOW IT WORKS—High-power transmitters and giant antennas force ultra-high-frequency waves beyond the horizon. The main beam goes out in a straight line. But a small amount of energy moves out in other directions, and some of it is picked up by the receiving antenna. Thus the signals "bend" around the earth.

There's Something New on the Telephone Horizon

New way to use UHF radio has possibilities for both Long Distance calls and television

We're always seeking new horizons in the telephone business. And this one really deals with horizons. It's based on the finding that part of an ultra-high-frequency beam can be "bent" around the curve of the earth.

For years men thought the kind of radio waves that could be used in relaying telephone calls and television moved out only in a straight line. But now scientists at Bell Telephone Laboratories and Massachusetts Institute of Technology have come up with something new.

They have found a way we can send these tiny waves over the horizon. Thus, without any relay stations, we might send hundreds of telephone calls and maybe television programs for as far as 200 miles.

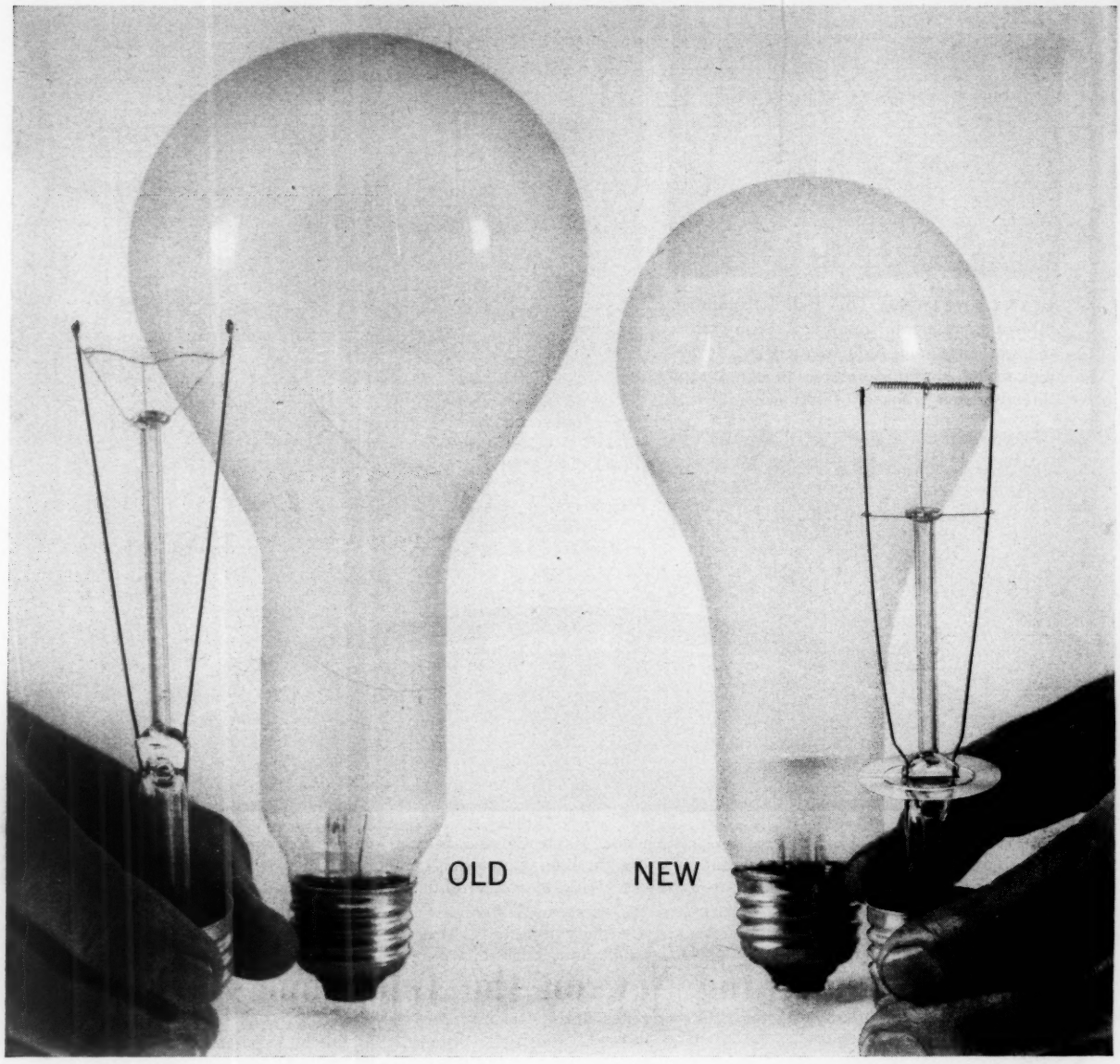
You can see how this is important over water, where we can't build relay towers. And in rugged country, too, where towers would be costly.

The way we do it is with 10-kilowatt transmitters and 60-foot antennas. This is twenty thousand times the power and thirty times the antenna area we use in our microwave systems that send your telephone calls and television from coast to coast.

We think the over-the-horizon technique will be another helpful tool for telephone men to use. And one that will mean more and better service for more and more people.

BELL TELEPHONE SYSTEM

G-E LAMPS GIVE YOU MORE FOR ALL YOUR LIGHTING DOLLARS



New General Electric 200-watt bulb takes less space, but gives more light

A NEW General Electric 200-watt bulb, shorter and slimmer than the old one, fits into fixtures and lamps that would formerly take nothing larger than a 150-watt bulb.

The new G-E bulb gives about 3% more light than the old one. In the new bulb, the filament is an efficient *coiled* coil, which needs only one support. The filament of the old bulb is a single coil which needs three fine-wire supports. Although these support the filament firmly, they tend to cool it and slightly reduce the light. Based on average operating costs, the extra light of the new bulb is worth 7¢ to 10¢ over the life of the bulb.

Though the new design puts the hot filament closer to the base, the new General Electric 200-watt bulb is safe to use even in paper-lined sockets. That's because of a heat-reflecting disc of aluminum between the base and the filament.

With all this extra value built in, the new bulbs list at a penny *less* than the old. For more facts on how General Electric gives you more for *all* your lighting dollars, write for a 16-page G-E progress report to lamp users. It's free, just write General Electric Company, Dept. 482- US-7, Nela Park, Cleveland 12, Ohio.

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On the practical side, following peace talks at Geneva:

U.S. military plans are not to be changed. Business in this country, as before, will be supported by big-scale spending for arms. Drastic cutbacks in arms building are not in the cards.

Real peace, real disarmament, still looks a long way off.

Arms spending is to level off at 34 to 35 billion dollars a year. This is a shade below the year just past, but still nearly $3 for every $1 that U.S. spent for military purposes in the period just before the Korean war.

Army and Navy will be reduced in size, as planned. Air Force will be expanded to 137 combat-ready wings.

Allied nations will be built up. For military aid abroad, U.S. will spend 3 billion dollars in the year ahead. Atomic race will continue. New orders will flow for weapons, airplanes, other military goods.

Draft will go on for years yet. Active military forces, all branches, will not be cut below 2.8 million. Military reserve will be built up to 2.9 million. That's assured now, with approval of reserve program in Congress.

U.S. troops will stay in Europe. Russian effort to get them out failed.

Any idea that peace talks would produce major changes immediately for people in this country and others of the West can be forgotten.

As a result of what happened at Geneva, this much is clear:

Peace talks have only begun. What you can look for in the period ahead is a whole series of new talks, new meetings of Big Four foreign ministers, military men, perhaps another meeting at the summit in 1956 or 1957.

A deal with Russia, settling major problems, still is years away.

Germany will remain divided for an indefinite period. Russian idea to neutralize Germany in return for unification got nowhere at Geneva.

Key to much of what you have been hearing from the Russians in recent days is this hard fact: Russia is hard pressed, needs desperately to get a temporary letup in arms race. Easing of tensions serves her purpose.

New regime in Moscow is caught. Supply of goods simply is not enough to go around. Something has to give. Go all out to catch up in arms race, and the Russian standard of living, already meager, gets worse. Raise living standards, as the people want, and the military build-up is in trouble.

So the Russian idea is to play for time, try to produce more at home, angle for goods from other countries, hope for better days.

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Eisenhower, actually, accomplished his purpose at Geneva. What he wanted was an opportunity to talk to Russia's top men face to face, see for himself what they really wanted and, at the same time, make a new bid for peace with all the world watching. He expected no big deal.

Man of the week, by all odds, was the U.S. President. Eisenhower pleas for peace, notably his personal appeals to Zhukov, captured attention, drew applause around the world. Big Eisenhower proposal, to permit free inspection of military installations in U.S. and Russia, dramatized this country's desire for peace. Russians were caught by surprise, put on a spot.

At a time when economic troubles bear down in Russia, official reports in U.S. provide new measures of the greatest boom this country has ever seen.

New records show up just about everywhere--in total spending, in consumer spending, in personal incomes, in employment, in industrial output.

Prosperity in U.S. is surpassing all expectations.

Farmers, actually, are about the only big group failing to share in the boom. Income prospects, even for farmers, are better than expected earlier.

Reason: Near-record production indicated by recent crop reports. Support prices, already set, tend to determine returns per unit, so larger production means more income. Also, high yields point to relatively low costs per unit.

Inflation danger is the thing that concerns Government now. Credit is to be placed under new restrictions. You can be quite sure of that.

Federal Reserve System is free now to tighten up. U.S. Treasury is winding up its big borrowing for a while. Reserve System has been avoiding any credit restrictions that might upset the market for Treasury securities.

Latest figures from official agencies bear on the credit picture.

Mortgage debt on homes keeps hitting new records. Total now stands at 78.9 billion dollars, up 11 billion in one year.

Installment debt for automobiles, appliances, other things has bounded up to a new high of 24.1 billion dollars, and is still climbing.

Together, these two forms of credit add up to 103 billion dollars, representing 39 per cent of annual personal income, after taxes. This proportion, again, is a record, compares with 29.5 per cent in 1939 and 35.3 per cent in 1953.

To the average family, debt is not yet too much of a burden.

With record incomes, people have some leeway, manage to keep up monthly payments. Question is what happens if times get tough.

To give you the latest from Congress, as adjournment time nears:

Highway program looks like a good bet, either this year or early next.

Minimum wage goes up to $1 an hour--not 90 cents, as Eisenhower wanted.

Survivor benefits of servicemen and veterans will be raised, but probably not until next year. House has approved the increases.

Social Security changes, with pensions for more people and a higher payroll tax, seem to have little chance until 1956. Tax-free retirement plan for self-employed people, too, must wait until next year.

Dollar-a-year men will stay in Government, but restrictions are likely.

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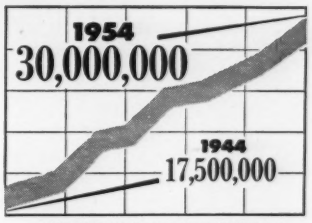
America has plenty to talk about!

Each day, thirty million conversations keep the lines of Independent Telephone Companies busy!



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Americans in this land of plenty have more to spend . . . more to enjoy . . . and more to talk about than ever before! In the 11,000 communities served by Independent Telephone Companies, they strike up thirty million telephone conversations a day—make more than a million calls to distant cities! This great and growing demand keeps America's 5,000 Independents adding steadily to their eight million telephones . . . to give a nation with plenty to say . . . plenty of service!

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[Items appearing on this page are reported in Washington and other news centers]

Did Geneva Sew Up '56 for Eisenhower? . . . New Man To See on Patronage . . . Stevenson Backers Changing

President Eisenhower's performance at Geneva has further dampened Democratic hopes of winning the Presidency in 1956. Mr. Eisenhower is shown as the undisputed leader of the Western world, and Democrats confess that he probably can have a second term almost for the asking.

★ ★ ★

Mr. Eisenhower himself is reported by aides to be enjoying his role as world leader. He is said to be surprised at the amount of trust he receives from every side. Aides conclude that it is going to be easy to pursuade him that he must accept a second term.

★ ★ ★

John Foster Dulles, Secretary of State, did most of the work on the original draft of Ike's opening speech at Geneva. But, before delivery, Mr. Eisenhower rewrote nearly all of it.

★ ★ ★

The President was aware of German concern that the Western powers might weaken at Geneva and make a deal on Germany. Secretary Dulles thus was asked to keep daily contact by telephone with German Chancellor Konrad Adenauer at nearby Mürren.

★ ★ ★

British Prime Minister Sir Anthony Eden found at Geneva that a misplaced comma can cause international ructions. Germans were irked when he was quoted as saying Britain was willing to seek agreement "on total forces and armaments on each side in Germany, and the countries neighboring Germany." The phrase should have read, "on total forces and armaments on each side, in Germany and the countries neighboring Germany."

★ ★ ★

Harold Macmillan, British Foreign Secretary, is reported to be trying to sell the Russians on acceptance of the North Atlantic Treaty Organization as a possible instrument for eventual disarmament. Mr. Macmillan reminded the Russians that the NATO pact refers to future arms control, which could be broadened.

★ ★ ★

Russian delegates went out of their way at Geneva to be sentimental. Nikita Khrushchev started it off by mentioning the marriage of Marshal Georgi Zhukov's daughter. Comparing notes later, American officials found that every Soviet delegate, at one time or another, mentioned birthdays, graduations, children, anniversaries, aged parents.

★ ★ ★

Charles Bohlen, U. S. Ambassador to the U.S.S.R., apparently has won the Russians' confidence. Often at Geneva he was requested to act not only as President Eisenhower's interpreter but to translate English into Russian for the Soviet delegates as well.

★ ★ ★

Defense Secretary Charles E. Wilson surprised U. S. diplomats when he suddenly announced the withdrawal of some U. S. troops from the Far East. With some advance notice, the diplomats could have enhanced U. S. prestige in Asia by playing up the idea of America's basically peaceful intentions.

★ ★ ★

Ho Chi Minh, leader of Communist Viet Minh, is believed by the U. S. State Department to have been told by both the Russians and Red Chinese to play down his aggressive intentions toward South Vietnam. He recently visited Moscow and Peiping, and was promised substantial economic aid by both Russia and China. The price exacted was less agitation by Ho in Indo-China.

Herbert Hoover, Jr., Under Secretary of State, is said by officials of U. S. commercial airlines to be responsible in large part for the favorable terms given Lufthansa, the revived German airline, to compete with U. S. firms. Chief competition will be for travel between the U. S. and Latin America, a far more lucrative business than U. S. lines expect to get flying from Germany to points east of there.

★ ★ ★

Adlai Stevenson is somewhat surprised to discover that he is gaining strength in the South as a candidate for the Democratic presidential nomination. Meanwhile, Northern Democrats are cooling toward Mr. Stevenson. That's the reverse of the situation in 1952, when Southerners suspected Mr. Stevenson of being too "New Dealish" for them.

★ ★ ★

Postmaster General Arthur Summerfield plans to spend most of the summer in Michigan in an attempt to repair the Republican Party's strength in that State. The party was surprised last year when Democrats won the contest for U. S. Senator. Michigan Republicans have since been squabbling among themselves.

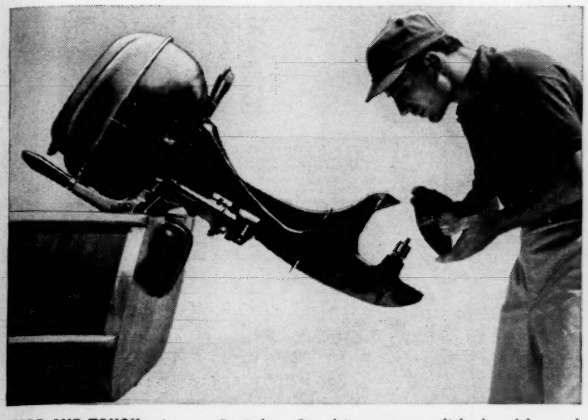
★ ★ ★

Fred Seaton, deputy assistant to the President, now is getting the knotty patronage problems that used to wind up on the desk of Sherman Adams, the No. 1 assistant. Patronage has been one of the greatest difficulties for the Administration.

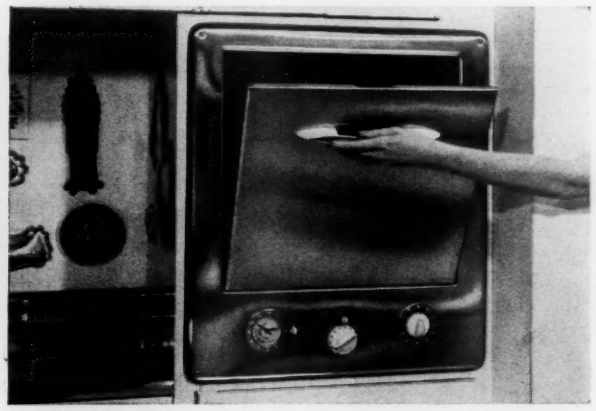
★ ★ ★

Speaker Sam Rayburn of the House of Representatives is the man the White House must deal with if the remainder of the Administration's legislative program is to be adopted. Most of the key bills are bottled up in the House.

Four reasons why Armco Stainless Steel can help improve your products

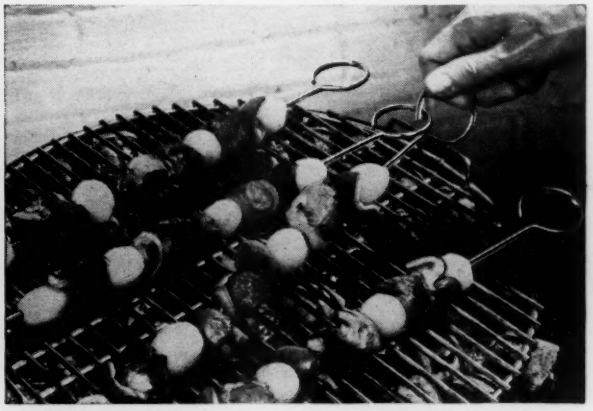


HARD AND TOUGH. Armco Stainless Steel is strong, solid, durable and corrosion resistant. In propeller shafts, for example, it gives years of service. Stainless can take all the strain an outboard motor gives.



ADDS MODERN TONE. In-wall ovens are one of the newest products made of long-lasting Armco Stainless Steel. This handsome metal gives a modern appearance to all kinds of household products.

IT'S HANDSOME... EASY TO CLEAN. The dense, smooth surface of stainless steel washes quickly. Never needs hard scouring. It doesn't tarnish, doesn't rust. And the luster lasts as long as the metal.



HEAT DOESN'T DAMAGE IT. Armco Stainless is wonderful for barbecue grills and utensils, for example. Withstands severe heat. Never imparts a metallic taste. It's sanitary, and easy to keep clean.

What properties are you looking for in a metal for your products? Very likely one of Armco's many grades of Stainless Steel will be just what you want.

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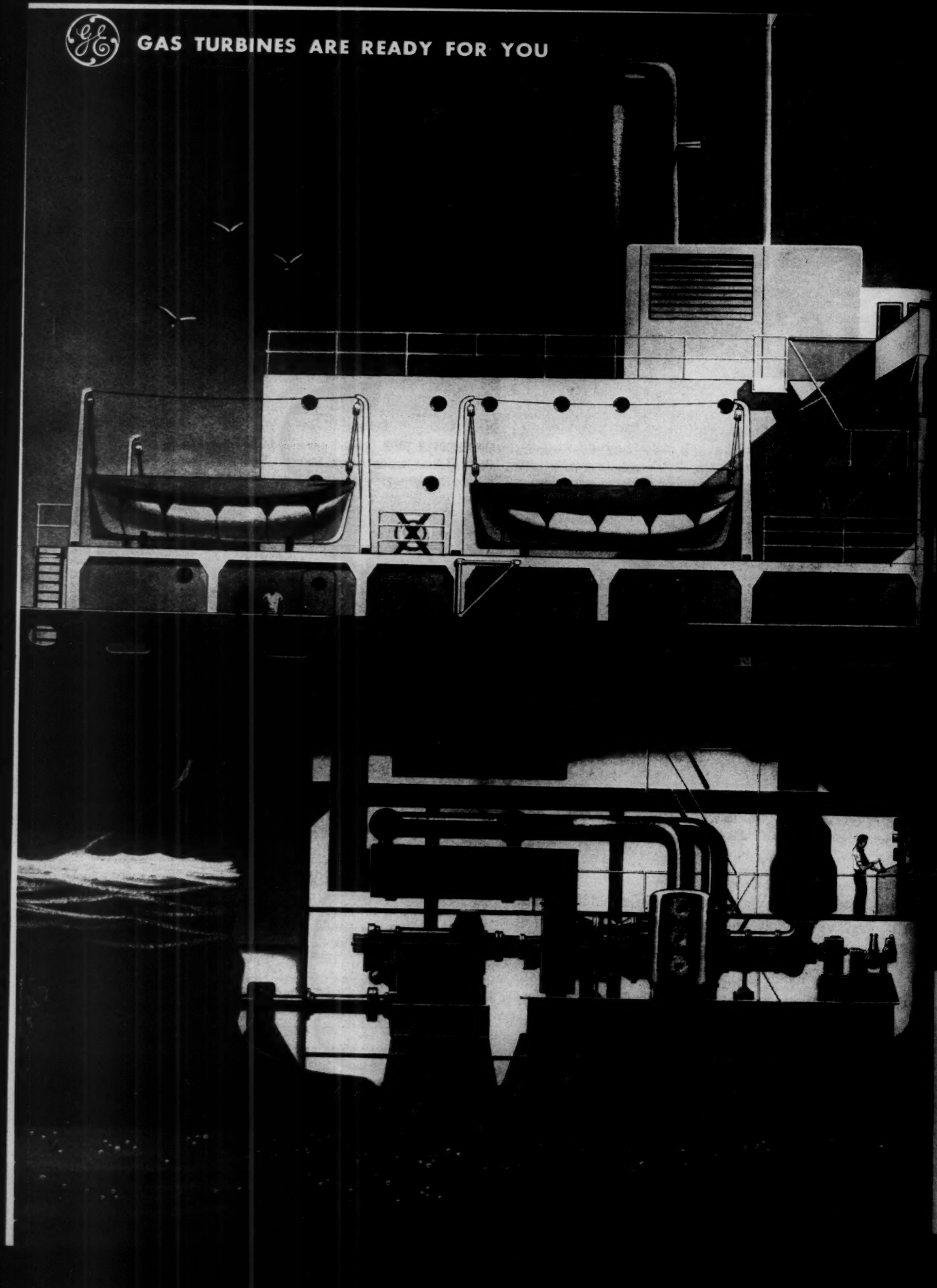
GAS TURBINES ARE READY FOR YOU

More speed and power foreseen for U.S. merchant fleet by using G-E gas turbines

Use of gas turbine by maritime industry is latest addition to growing list of applications

A feature of the Maritime Administration's program to upgrade the mobilization potential of America's merchant fleet is the use of the G-E gas turbine for ship propulsion. The first gas turbine to be used on any large U.S. merchant ship will be installed in a modified Liberty Ship now being converted for this use by the Office of Ship Construction and Repair. It represents an outstanding milestone in General Electric's gas turbine progress.

AN UNUSUALLY COMPACT MACHINE, the G-E gas turbine can be designed to deliver more power for its weight and size than merchant ship propulsion units now in use. That is why marine engineers foresee that it could bring about a faster, more powerful U.S. merchant fleet.

MANY OTHER ADVANTAGES are offered by the General Electric gas turbine. Because it is an inherently simple unit, maintenance is kept at a minimum. Use of inexpensive residual fuel assures economical operation. Furthermore, the gas turbine's small personnel requirements make it particularly suitable for maritime use, as does its extremely quick starting and negligible vibration.

PROVED SUCCESS on many industrial applications makes the G-E gas turbine America's most important new prime mover. These include gas pipeline pumping, power generation, locomotive propulsion, oil-field pressure maintenance, and petrochemical field applications. In all these fields combined, the G-E gas turbine has operated for a total of over 750,000 hours. Find out how it can work to your advantage. Contact your nearest G-E Apparatus Sales Office. General Electric Company, Schenectady 5, New York. 261-17A

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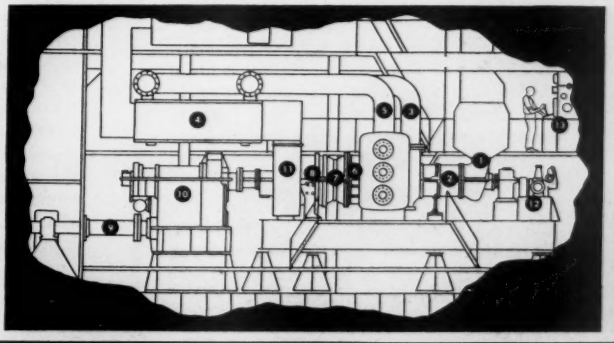
HERE'S HOW THE NEW G-E PROPULSION SYSTEM WORKS

Cutaway drawing shows how a G-E gas turbine might be installed for driving a Liberty Ship. Air enters inlet (1), is compressed (2), and passes through duct (3) to be heated in regenerator (4). Heated compressed air returns through ducts (5) to combustors (6) which add fuel and burn mixture. Hot gases expand through high-pressure turbine (7) which drives the compressor (2), and then through low-pressure turbine (8) which drives the propellor shaft (9) through gear (10). Gas is exhausted through hood (11) to regenerator (4) where it is used to heat combustion air. Exhaust from regenerator is passed through boiler and stack. Boiler supplies steam for ship generator and other equipment and for heating ship. Plant is brought up to firing speed by starting turbine (12). The propulsion system is controlled at control board (13).



Marine Design Agent: Gibbs & Cox

PEOPLE ★ ★ ★

® OF THE WEEK

› HAROLD E. TALBOTT came under questioning by the Senate Investigations Subcommittee because of a business connection he has maintained while serving the Administration as Air Force Secretary. The Senators wanted to know whether the New York financier had used his official position to further the interests of Paul B. Mulligan & Company, an industrial-engineering firm in which he is a partner.

Mr. Talbott told the Subcommittee he had "certainly not" done so. He estimated his earnings from his partnership at more than $50,000 a year, said he would give up that income if the Subcommittee thought it improper. He recalled that he had given up all other business interests he had when named Secretary, and had told a Senate committee originally, when confirmed, that he was retaining his partnership in the Mulligan firm. He also declared that none of his relations with the Mulligan company had any connection with the Air Force during his service in the Government.

The inquiry revived the question of how to attract successful businessmen to high-level Government jobs without demanding great financial sacrifices. Many members of the Eisenhower Administration have given up lucrative positions, stripped themselves of share holdings in big companies to serve their country.

Secretary Talbott is 67, entered the aviation business after Yale. He became president of the Dayton Wright Company, and began manufacturing aircraft in 1916.

› A BIG MAN IN TV appears to have strengthened his position in the industry with the change in ownership of the giant RKO-Radio Pictures Company. The 25-million-dollar deal in which General Tire & Rubber Company bought the movie firm established **Thomas F. O'Neil** as one of the current giants of the entertainment world.

Mr. O'Neil is president of General Teleradio Company, which operates a chain of TV and radio stations and is a wholly owned subsidiary of the tire company. He engineered the deal to buy RKO-Radio from Howard Hughes, West Coast movie maker and industrialist, after long, secret negotiations.

A big item in the transaction is a film library of more than 400 old movies, some dating back to 1929 and starring such old favorites as Jean Harlow. These

(Continued on page 16)

PRESIDENT EISENHOWER AND AIDE AT GENEVA

-United Press

› MAJ. JOHN EISENHOWER has just had a close-up look at international diplomacy on the highest level—a rich experience for a young Army career officer who may someday himself be called upon to make big decisions in his nation's behalf.

It was not as the pampered son of a famous father, however, that President Eisenhower's only son was taken to the Geneva Conference in the role of aide. The major was between assignments, made the trip on his annual leave.

Major Eisenhower had just completed a tour of duty at the Command and General Staff School, Fort Leavenworth, Kans., where he made a creditable record. He reports next to Fort Belvoir, Va., for duty as an instructor of infantry tactics at the Engineer Center. It is an indefinite assignment which may last 18 to 24 months.

Fort Belvoir is only about 20 miles from the White House. It will be the first time the 32-year-old officer has been permanently stationed near his parents since the President's election. Last summer he served briefly as a White House liaison man at the Pentagon.

The President's son has impressed colleagues with his desire to stand on his own two feet. He has often mentioned that all he wants is a normal Army career, without special favors. He gets none. There have been no hints of favoritism about his promotions. Some of his West Point classmates from the class of 1944, for example, already are lieutenant colonels.

The younger Eisenhower served in Europe as a lieutenant of infantry during the closing days of World War II. One of his assignments upon returning to the U. S. was as an instructor of English at West Point. When the Korean war broke out he asked for, and got, front-line duty. He left the front briefly to fly home for his father's inauguration—but only on direct orders from President Truman. His appearance in Washington was a surprise to both his parents.

Fellow officers say Major Eisenhower is popular with all ranks. Those officers who have worked closely with him use the words "dignity, charm and modesty" in referring to his personality.

South Korea awarded him its Distinguished Military Service Medal with gold star for "outstanding professional skill, resourcefulness, and ingenuity" during his work with South Korean Army units.

The major enjoys his Army work, but is happiest when able to spend some time with his wife, Barbara, and their three young children. At parties he likes to play bridge and charades. He took up golf at his father's insistence, is improving to the extent that he comes close to matching the President's score.

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CONTINUED

now can be released by General Teleradio for use on TV.

A year and a half ago, Mr. O'Neil paid 1.5 million dollars for 30 old movies. In jig time he got back a million dollars from advertising income by showing the films on his New York TV outlet. He expects to make a profit from renting them to 90 other stations around the country.

The TV-movie magnate is a son of W. F. O'Neil, founder of General Tire & Rubber. He is a husky 6 feet 4, played football at Holy Cross College. During World War II he spent five years in the Coast Guard, rose from petty officer to lieutenant; now lives in Old Greenwich, Conn.

MRS. PERLE MESTA, noted for her lavish parties in the capitals of the West, was caught in a free-for-all not a bit to her liking, during an anti-Communist riot in Saigon, South Indo-China. The former U. S. Minister to the Grand Duchy of Luxembourg escaped without injury when a mob wrecked her hotel; continued on a round-the-world tour gathering lecture material.

It was the most exciting and perilous episode in the crowded life of the one-time diplomat. She told reporters in Singapore that "the whole place swarmed with mobsters." She credited her escape to protection given her by some students she had talked to the day before at an international refugee camp, who were in the mob and recognized her.

Mrs. Mesta has made headlines almost since she first came to Washington in the 1920s. She is a Democrat, is usually on friendly terms with leaders of both parties—and their wives.

During her stay in Luxembourg, Gen. Dwight D. Eisenhower, then commander of the Allied military forces in Europe, and Mrs. Eisenhower used to stop in occasionally at the U. S. Legation there. Mrs. Mesta has been a frequent White House caller for many years.

Last year, Mrs. Mesta spent almost three months in Russia; traveled 12,000 miles, talked at length with workers, farmers, housewives and Government officials. That was not long after she gave a $15,000 party in London celebrating the coronation of Queen Elizabeth.

Her next project? A TV show.

JOSEPH CARDINAL MINDSZENTY, reportedly released from prison by the Hungarian Reds, could be a pawn in the efforts of Communist leaders to persuade the West they are sincere in their new "soft" policy. The Roman Catholic Primate of Hungary, now 63, had served six and a half years of a life term after his conviction on treason and other charges generally believed in the West to have been trumped up.

The Cardinal apparently is to have the same kind of limited freedom granted to Alojzic Cardinal Stepinac of Yugoslavia, who was released from prison in 1951, after Belgrade cooled toward Soviet Russia. Since then, Cardinal Stepinac has been restricted to his native village.

Cardinal Mindszenty's conviction and sentencing in 1949 brought indignant expressions of protest from religious and government leaders throughout the Western world. During his trial, the church official pleaded partly guilty to charges of having royalist sympathies and engaging in illegal money deals. He denied that he had plotted to overthrow the Communist Government.

The Cardinal had also been jailed by the Nazis when they occupied Hungary during World War II. He continued his opposition to totalitarian rule when the Reds took over his country; firmly opposed plans to nationalize all Roman Catholic schools. He refused chances to flee the country when his arrest appeared imminent; explained that "a shepherd must not leave his flock."

A LEGENDARY FIGURE in the shadowy world of espionage is switching employers. **Reinhard Gehlen,** German former general who worked 10 years for a U. S. intelligence agency, will hereafter hand the reports of his private spy network to the West German Government.

General Gehlen headed the German Army intelligence service on the Russian front during World War II; is said to have infuriated Hitler with his accurate estimates of Soviet armed strength. He brought along his entire staff of espionage agents when he went to work for the U. S.

The Gehlen organization is reported to have as many as 3,000 agents collecting intelligence in and about East Europe. They operate as rings within rings, with none of the spies knowing much about each other. The U. S. is said to have financed General Gehlen's operations with a budget that has run as high as 5 million dollars a year, but this has never been confirmed.

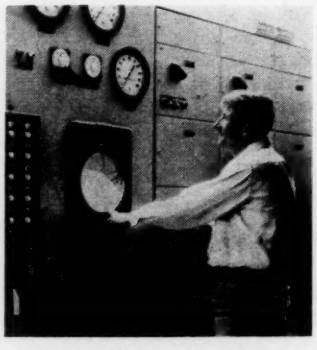
The Bonn Government apparently intends to use the Gehlen organization for purposes other than political espionage. That function is to be turned over to the West German intelligence office formerly headed by Dr. Otto John, who defected to Communist East Germany last year. It was General Gehlen, incidentally, who was credited with exposing Dr. John as a "double agent," working for the Reds, just before John fled to the East.

PEACE ATOMS FLOW

LEWIS STRAUSS, above, threw a switch that sent atomic electric power coursing through utility lines into American homes and industries for the first time in history.

The electric power generated in an experimental atomic reactor—a prototype of the engine in the nation's second atomic-powered submarine, the *Seawolf*—provides only a tiny portion of the power needed to make lights glow, toasters toast in the vicinity of West Milton, N. Y. But Mr. Strauss, Chairman of the Atomic Energy Commission, said it shows the atom can "be stripped of its military casing and adapted to the arts of peace."

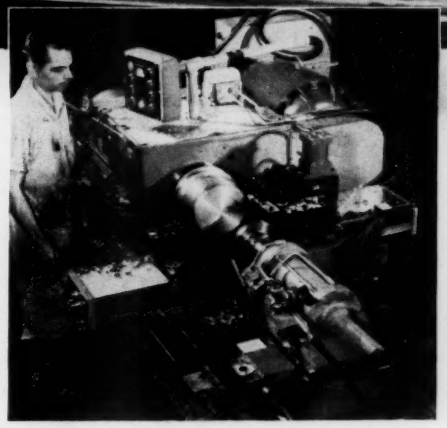
The reactor was built by General Electric; is described as having twice the capacity of one that Russia claims to have put into use a year ago. GE engineer **P. G. O'Leary,** below, keeps an eye on the control panel of the turbine generator that turns atomic energy into electricity.



Work was hard at the kitchen range . . .

here's a better way

Dad may look back with nostalgia to the old-time wood-burning range . . . but what *woman* would trade it for the conveniences of her modern kitchen? Cooking today is cooler, quicker, easier, thanks to *mass-produced improvements* that save steps, money, and time. From electric grill to pressure cooker, machines have bettered the American kitchen way.



Sundstrand contributes to the better way
Leading makers of kitchen equipment use Sundstrand machine tools, such as the automatic lathe (right). Costs go down, production goes up for "a better way" for more people.

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. . . a name to remember in your business, too!

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Rockford, Illinois

Aircraft Hydraulic Constant Speed Drives and Pumps • Lathes, Milling, Broaching and Special Machines • Industrial Hydraulic Valves and Pumps • Domestic Oil Burner Pumps • Magnetic Chucks and Coolant Separators • Air Sanders

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"How this guided missile gets there on time!"

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"That date was kept by Air Express!

"We ship up to 15,000 pounds of Clarostat Resistors per month by Air Express. Their sizes range from the one mentioned above—finer than a human hair—to shipments weighing one hundred pounds and more.

"With Air Express help, we can meet extremely exacting delivery specifications. Yet most shipments cost *less* than by any other air service. A 25 lb. shipment from Boston to Toledo, for instance, costs $6.45. That's 5¢ *less* than the next lowest air carrier—and the service can't be compared!"

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Air Express

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DID GENEVA REALLY SETTLE ANYTHING?

On Big Issues, a U. S.-Russian Deal Is Still Far Away

Years of hard bargaining with Soviet Russia lie ahead. Geneva showed that.

After all the talk—

East and West are still split on Germany.

Future of the satellites remains unsolved. So does disarmament. So does nearly everything the Big Four talked about.

Eisenhower has his own formula for dealing with the Russians. His idea:

• Make the Communists show where they're going. Meet them halfway—but no more.

• Try to settle the world's problems a step at a time, and make Moscow match each step.

It's a long, slow process, just started.

GENEVA

Now that the Big Four Conference is over, the real negotiations for a truce in the "cold war" are about to begin. They will last a long time.

President Eisenhower thinks it will take 1,000 hours of negotiations before the East-West disputes in Europe alone can be settled. Britain's Foreign Secretary Harold Macmillan tells friends he expects three to five years of dickering between the Western Allies and Soviet Russia.

To dispel fear of long-range attack by bombers and missiles while this is going on, President Eisenhower wants to open the United States and Russia to mutual inspection by aerial photography.

To dispel fear of sudden aggression in Europe, Prime Minister Sir Anthony Eden of Great Britain wants Soviet and Western inspection teams to begin immediately examining each other's forward bases in a constant check on war preparations.

Meanwhile, negotiators of the United States, Britain, France and Soviet Russia will seek other security guarantees to help solve the differences between East and West. The Geneva Conference that brought together President Eisenhower, Prime Minister Eden, Premier Edgar Faure of France and Premier Nikolai Bulganin of Russia is considered only a "get acquainted" session. Already diplomats are predicting several more such sessions—one, perhaps, within 18 months.

The big question, which only time will answer, is just what all the talking is expected to achieve. This is the way the experts size up the prospects:

As a minimum, there will be no shooting while the talk goes on. Already, in the preliminaries, the Communists have silenced the guns in Korea and Indo-China and have muffled Red China's saber rattling over Formosa.

As a maximum, there is a chance that years of persistent negotiation will settle enough East-West differences to bring the world a long period of peace and stability.

—Hesse in the St. Louis Globe-Democrat

"THE LITTLE SUMMIT"
. . . years of dickering ahead?

New atmosphere. One American official who sat in on the Geneva Conference says: "It is too early to say we are entering an era of good feeling. But the air has changed to a certain extent."

It was primarily to discover whether the atmosphere really has changed that the leaders of the West came to Geneva to meet the top Russians. They learned a lot during more than 50 hours of face-to-face discussion.

Every contact with such men as Nikita S. Khrushchev, the Communist Party boss, with Premier Bulganin, Foreign Minister V. M. Molotov and Defense Minister Georgi K. Zhukov reinforced the conviction of most Western diplomats that the Soviet leaders are chafing under the burden of the arms race and want to call it off—at least for the time being.

As Allied experts analyze it, the Communist leaders have awakened

[continued]

DID GENEVA REALLY SETTLE ANYTHING?

to the fact that they no longer can depend upon manpower alone to assure their military superiority. Moscow has been forced to undertake the expensive task of building a strategic air force and a stockpile of nuclear weapons. The United States, with industrial resources far superior to Russia's, found long ago that keeping equipped with modern armament is expensive business. Russia, with its limited facilities, must really be feeling the pinch of the arms race.

Also, the Russian people got a taste of consumer goods—a little better standard of living—during the days when Georgi M. Malenkov was running things as Joseph Stalin's successor. They liked it. They want more. They want to relax a little, enjoy life after almost four decades of privation.

Allied diplomats are convinced that the accumulation of these things is putting the pressure on the Communists to get the world stabilized in peace—particularly so since the present rulers in the Kremlin feel less strong than was Stalin, and far less secure in their jobs.

The Geneva trip was the farthest westward visit ever made by Khrushchev, who knows little about the world outside Russia. He rubbernecked around the city in an open car, snapping pictures like any tourist. One of the Allied experts, looking back on Geneva, says that perhaps the most important aspect of the Conference was that it brought Russia's new leaders into direct contact with the leaders of the free world, and their way of life. He puts it this way:

"The next time Khrushchev hears some Soviet ideologist predict the collapse of capitalism, he may remember how comfortably the Swiss workers live because he saw them with his own eyes. And that isn't all. From now on, when Khrushchev reads an Eisenhower press-conference remark, or Bulganin reads an Eisenhower speech, they will have a picture of the man in their minds. They probably will be less likely to regard everything with traditional Russian suspicion."

Such observations show a degree of optimism that didn't exist even a year ago. But it is when you get down to the details that you see why negotiators on both sides expect months—even years—to be consumed in the efforts to reach agreement on terms for a cold-war truce.

Big issue. Germany is the key issue. All discussions at Geneva—talk of disarmament, of security arrangements and so on—eventually came back to Germany. The future of that country was the biggest single stumbling block to East-West agreement long before the Geneva Conference opened. And it was just as big by the time the Conference came to an end.

Germany is still split in two, leaving unsettled the status of millions of Europe's most highly skilled, industrious and vigorous people. Powerful armies of Russia and the Western Allies face each other in Germany, only yards apart across an artificial line that slices through the center of Europe from the Baltic Sea to the Alps.

The issue: The West wants the two Germanys united under a single government, freely elected, that would be permitted to hold membership in the North Atlantic Treaty Organization. The Communists do not want to give up East Germany. For one thing, it is a valuable industrial satellite. For another, Soviet leaders cannot forget that in their lifetime two devastating German invasions have swept into Russia.

Buffer zone. One proposal made to the Russians at Geneva is to separate the Soviet and British-American forces now in Germany by a buffer area at least 200 miles wide. The proposal calls for 350,000 American and British troops to withdraw westward a substantial distance if Russia will withdraw its forces eastward, evacuate East Germany entirely and permit the reunification of Germany within the North Atlantic Treaty Organization.

Other provisions:

- That part of the vacated area, comprising the entire present Soviet zone of Germany, be demilitarized.
- That the remainder of the vacated area, comprising a deep strip along the present eastern border of West Germany, be occupied by German forces under NATO command.
- That Germany, once reunited, be limited to an army of 12 divisions as now projected for West Germany alone.
- That all armed forces between the Soviet border and the English Channel be frozen at the present levels and gradually reduced in strength under mutual inspection and control. The inspection scheme is designed as an "international alarm system" to assure advance warning of any attempt at a surprise attack.

The chief originator of this plan, which promises to be the principal subject of East-West negotiations for a long time, was Britain's Prime Minister Eden. Many of its details were suggested by Chancellor Konrad Adenauer of West Germany.

President Eisenhower went along with the plan "in principle" at Geneva, but he made it clear to the British that he has one reservation upon which he intends to remain adamant. He definitely

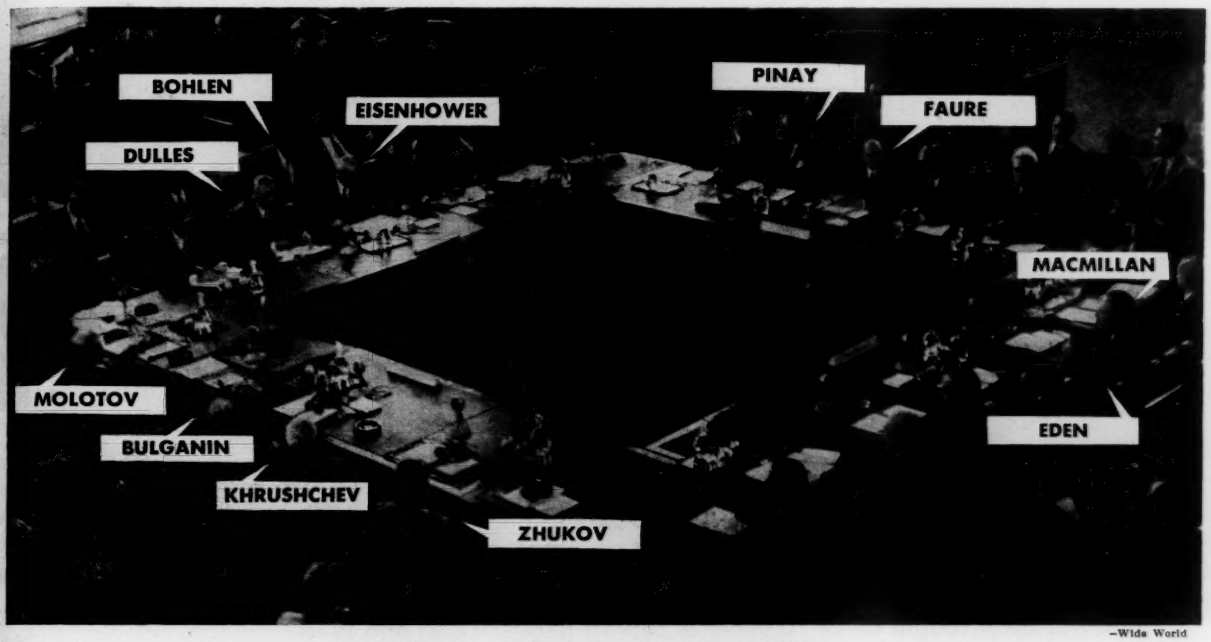
Origin of Ike's Aerial-Inspection Proposal?

From a document presented to the United Nations Disarmament Commission by the United States Government on April 4, 1952:

"The system of disclosure and verification is an integral part of the system of safeguards which must be established to ensure observance of the over-all program of regulation, limitation and balanced reduction of armed forces and armaments so as to provide for the prompt detection of violations while at the same time causing the minimum degree of interference in the internal life of each country. It will not be adequate to provide merely for the verification of disclosed information. In addition, provision must be made for determining the adequacy of the disclosed information, through broad general powers of on-the-spot inspection, through access to statistical data permitting independent confirmation of required reports and through aerial surveys.

"Extensive aerial reconnaissance is obviously essential to the verification procedure in order completely to determine the adequacy of disclosed information. It will be obvious that aerial reconnaissance furnishes the easiest method of determining the existence of large undisclosed facilities and installations. Aerial survey will be essential in all stages of the disclosure and verification procedure."

[For full text of Mr. Eisenhower's proposal at Geneva, see page 82.]



—Wide World

THE BIG CONFERENCE TABLE AT GENEVA
"The air has changed to a certain extent"

will draw the line on making any concession to Soviet Russia regarding the location and size of forces, if those concessions threaten to destroy the effectiveness of the NATO build-up in West Europe which he launched in 1951.

Headaches. All the experts agree that a multitude of complications would be raised by setting up a demilitarized zone and troop withdrawals in Germany. Western defense plans would need complete reworking. The so-called "forward strategy" calling for defense on the Soviet-zone border with the aid of American atomic weapons might have to be revised.

There are other problems: How would the German Government deal with international disorders in the present Soviet zone if it were barred from putting troops there? Could East Germans be drafted to serve in a German Army confined to the Western part of the country? If not, there still would be two Germanys from a military standpoint, and young West Germans might move to the East in droves to escape military service.

One of the things Western diplomats discovered at Geneva was that Soviet leaders apparently are resigned to the idea that the North Atlantic Treaty Organization is here to stay, and that West German troops are going to become part of that organization. Premier Bulganin said at one point it would be "unrealistic" to expect the West to dissolve NATO or back up on the idea of a German Army so long as Germany remains divided.

But the Communists will continue to insist that an all-German Government—once the country is united—must remain neutral outside NATO. They are threatening to sit tight on East Germany and maintain the division of that country indefinitely unless the Bonn Government agrees to neutralization.

Step by step. While negotiations proceed in the next year or two, President Eisenhower intends to improve the atmosphere—not by making substantial concessions that the Russians haven't earned, but by removing what he calls "exacerbations" one at a time.

The President is convinced that a whole series of unnecessary gestures of "bad will" have been made by all concerned during the cold war. He thinks the time has come for both sides to cut out the pin pricks.

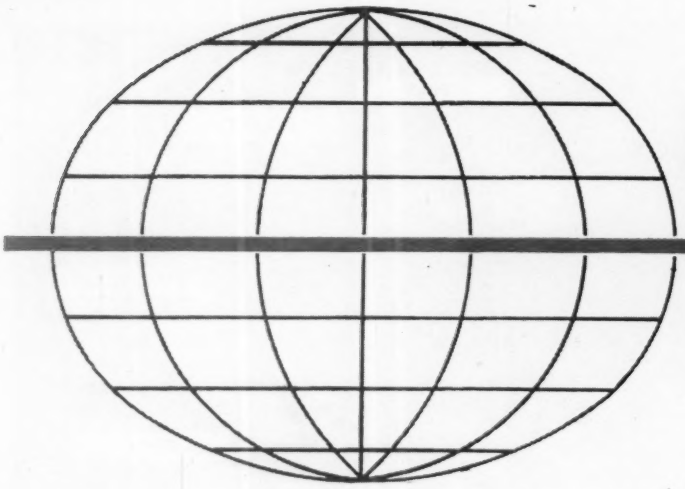
Near the close of the Geneva Conference, Mr. Eisenhower told the Soviet delegation what he has in mind. He coupled with his proposal to trade arms secrets a recommendation that would practically wipe out the Iron Curtain. He offered to meet Moscow halfway in increasing the East-West flow of peacetime goods, in removing travel restrictions, and in promoting "interchange of information and ideas" between Russia and the West. "By working together towards all these goals," he said, "we can do much to transform this century of recurring conflict into a century of enduring and invigorating peace."

In the coming months he hopes the Russians will do such things as guaranteeing the West free access to Berlin. He hopes more German prisoners and British war brides will be permitted to leave Russia. He hopes that the Kremlin's moves to patch things up with Marshal Tito of Yugoslavia will be followed by some easing of Moscow's iron grip on the Communist satellites in Eastern Europe.

If Russia makes these gestures, the Eisenhower Administration will be ready to take some further steps to thaw out the cold war. Some of the restrictions on nonstrategic trade may be lifted—although the bars against shipments of industrial machinery will not be lowered until major issues are settled. Restrictions on the travel of Soviet diplomats in the U. S. may be eased.

The aim now is to meet the Russians move for move if they really want to clear the atmosphere. The real negotiations for a cold-war truce are just beginning. Nobody on either side can say with certainty how long they will last—or where they will end.

For what the world thinks of Geneva, see page 22. A back-stage look at the Big Four—page 27. For Eisenhower's arms-inspection plan—page 82. An expert's view of how aerial inspection would work—page 83. Texts of speeches and proposals made at the Geneva Conference—page 99.



How the
BIG 4

Does the Geneva Conference really mark a decisive turn in the "cold war"?

How does the future look in Asia, in Europe, in the Americas—in every area of the globe that has been caught up in 10 years of conflict between East and West?

Here, gathered by cable and telegraph, is a cross section of world opinion—excerpts from editorials appearing at the peak of the Conference in newspapers in the U. S. and abroad.

ENGLAND

London, *The Daily Telegraph:* The division of Europe is something more than the division of Germany. Behind the curtain that runs across that country is another curtain that covers part of Christian Europe and a great part of Asia. So long as it remains impenetrable by all who are not favored for reasons of policy or propaganda, tension between the two worlds will remain. It is a bad omen that Marshal Bulganin has refused to discuss either the future of Eastern Europe or the activity of international Communism.

London, *The Daily Mail:* The men now ruling Russia have been forced by the growing strength of the West to modify their cold-war policies. They concede that the supreme European issue, the unity of Germany, cannot be settled without the hazard of war; that they are not prepared to risk, nor is any sane man or nation on earth today.

It is this overriding fact which makes the Geneva Conference unique in the annals of mankind.

London, *The Sunday Express:* In seeking for the prize of peaceable understanding with the Russians, Britain must be sure not to put in hazard another prize more precious still: her close companionship with the United States. Always and forever, whatever the diplomatic climate, the friendship of Britain and America must remain steady and solid and unbreakable.

London, *The Economist:* Even the bluff Mr. Khrushchev cannot disguise the strain now imposed on the whole cumbrous Soviet system by the ever more costly burden of arms, by China's demands for aid and by the Russian people's own newly articulate desire for a less bleak life. True, the Soviet rulers still hope to break up the free alliance that Stalin created by judiciously blending friendly approaches to individual nations and general bonhommie with dark hints of alternative doom. But the very pace of their diplomatic activity reveals that they can no longer sit back impassively at the conference table and wait for concessions to emerge from Western anxiety and public impatience. At last it seems that they need a settlement at least as much as the West does, and therein lies the basis for fair negotiation.

London, *The Evening Standard:* What the Western statesmen cannot get at Geneva, the Germans themselves may get in Moscow. For the whole purpose of Russian policy is to persuade the Germans that they have more to gain from direct negotiations with Russia than from reliance on the West.

Both East and West have this in common: their desire to win over Germany. This is the one question, the menace of war apart, which preoccupies their minds. This is the one

World Sizes Up MEETING

mistake they both make: to kowtow to Germany, to court and flatter Dr. Adenauer.

What will be the results of this deference to Germany? It will not bring tranquility to Europe, but it will make Dr. Adenauer the arbiter of Europe's future. And the more he is courted, the higher will he put his terms—and the greater will Germany's power become. While East and West argue, Germany will prosper.

London, *News Chronicle*: Had it [proposal for aerial inspection of arms] come from anybody else we might have caught a whiff of a political maneuver; but it is plain from all who were present that here was a man truly saying what he deeply felt. . . .

What the speech accomplishes is suddenly to raise Geneva from the clammy folds of petty technicalities, from the orders of priority on this or that agenda, to what is in fact the true summit—the idealism which is prepared to fight for peace at any cost.

Manchester, *The Manchester Guardian*: . . . The Geneva Conference . . . has lowered tension. . . . President Eisenhower has had an opportunity to say frankly to the Russians that the United States will not make war. He has said it plainly in the full session of the Conference, and no doubt has said it again emphatically at the private meetings. . . . Russia's propagandists will find it harder to print such a black picture of Western intentions as they have done in recent years.

FRANCE

Paris, *Le Monde*: Eisenhower, whose personality has for a long time been misunderstood, and who is criticized somewhat for a modesty which appeared to shield a certain inadequacy, has emerged as the type of leader that humanity has need of today: a man animated first of all by the sense of his responsibilities, who does not lose himself in "problems" and in technique, who speaks the language of all men. In the years to come he can play a topmost role in reconciling the two camps of the cold war.

Paris, *Paris-Presse*: The mysticism of the U. S. Chief Executive makes it impossible to doubt his sincerity, which may be tested for a long time to come. . . .

World public opinion has obtained confirmation that the United States has no intention of taking the road to war and that the Soviet Union, by giving credence to the American spokesman, is no more interested than the United States in trying an adventure. Eisenhower and Bulganin acknowledged the existence of a *de facto* peace.

Paris, *Le Figaro*: President Eisenhower gave the Russians assurance that the United States will never embark on an offensive war. It was then that the new era started in Geneva, and this era will no doubt have more importance than the Conference's final communiqué.

Paris, *France-Soir*: . . . The man who has made it possible to progress so rapidly on the road of mutual confidence is President Eisenhower. Running the foreign policy of his Government himself, he has eliminated the atmosphere of distrust which characterized the reactions of the Department of State toward every new Russian initiative.

Paris, *L'Humanite* (Communist): The sensational character of the proposition (for aerial inspection of arms) made by Eisenhower . . . brilliantly emphasizes the changed climate in international relations. . . . It is clear that we are now on the way to peaceful coexistence.

WEST GERMANY

Bonn, *General Anzeiger*: . . . The world is primarily interested in preserving peace and decreasing the tremendous costs of armaments which are now a burden to all nations. We would be fools to believe that the world is willing to make this solution dependent on a partial solution—the German question.

Stuttgart, *Stuttgarter Nachrichten*: Without doubt the Soviet Union will play on the West's wish to relieve tension so as to reach agreement about the security system palatable to the Soviet Union and practically provide for a *status quo* in Europe and guarantee a period of coexistence.

Stuttgart, *Stuttgarter Zeitung*: The real test whether the Soviets are willing to negotiate on agreeable and acceptable terms with the West is not Germany but their readiness to come to terms on disarmament and security problems, about which the West is proposing some workable suggestions. This

already implies which topic will be on the agenda of the future talks after the Geneva Conference for Germany, and what Germany can hope for at best. The tension-lessening effects of an over-all controlled restriction of armaments and acceptable security systems which would not weaken the West in its position would actually promote reunification, a hastening of which would not be wholly without risks.

Munich, *Süddeutsche Zeitung*: The Soviets, for reasons of their own choosing, are determined to impress the others, and especially Eisenhower, that they want to get out of the frost of the cold war. More than ever before, they do this without trying to cover up their differing views. It seems to be one of the aims of this Conference to find out whether . . . Moscow's wish for a decrease in tension is genuine. If the Soviets succeed in convincing their partners, the prospects for an almost endless era of conferences and negotiations are bright.

Frankfurt, *Frankfurter Rundschau*: In Conference circles it is believed this proposal [for aerial inspection of arms] will not have much chance of being realized because the disadvantages for Russia would be greater than the advantages.

THE NETHERLANDS

Amsterdam, *De Telegraaf*: The Russians were masterfully cornered by Eisenhower.

The President of the United States came up with a proposal [for aerial inspection of arms] which . . . could only be called frank and honest.

DENMARK

Copenhagen, *B.T.*: An era is not initiated by a gesture, but the gesturing hand may wave away fogs to make truth suddenly naked and present. That was what Eisenhower did. That is his great achievement, regardless of what the continued tug of war will lead to.

SWITZERLAND

Geneva, *Le Courrier*: The question of the Russian satellites—and it will be to the eternal honor of President Eisenhower that he raised it at the Geneva Conference no matter how much it may have displeased certain "realists" of the Western press who cringe at the spectacle of Russian power—is something that the Russians do not even want to hear talked about. According to them, it does not exist. Just like that!

It exists, alas. And even to a terrible degree. It weighs down like a nightmare on the spirits of all those who are not satisfied, egotistically, with having been spared themselves up to now—for how long?—by the wave of oppression which spread out from the east over a great part of Europe after the war.

When the Russian leaders stop pretending to be blind and consent to admit the existence of this question and the value of discussing it—then . . . the relaxation of tensions would become a reality . . .

Geneva, *Journal de Genève*: It used to be that the Soviets considered all Westerners as imperialists and eventual aggressors, and today they set up distinctions and manifest an evident consideration for President Eisenhower. This change of a psychological character has its importance. . . . The manifestations of friendship which have taken place, and among which the meeting between Eisenhower and Zhukov will remain the most memorable, will contribute to render international relations more normal.

SOVIET UNION

Moscow, *Pravda*: One cannot fail to note . . . the statement of U. S. President Eisenhower at the Geneva Conference that the American people would like to be friends with the Soviet people. There are no disputes between the Soviet and American peoples, no conflicts, no commercial enmity. . . .

Of particular importance to the improvement of the situation in Europe and the elimination of distrust in relations between states would be the withdrawal of foreign troops from the territory of European countries. The easing of international tension and the creation of the collective-security system in Europe would greatly facilitate the settlement of the German problem and would create the essential prerequisites for the unification of Germany on a peaceful and democratic basis.

SPAIN

Madrid, *Ya*: There is no better proof of sincerity than good works. If Russia would demobilize its huge armies and pull back its frontiers and destroy its nuclear weapons, that would show sincerity. So many times Russia has belied its words by its deeds that it can no longer have recourse to mere statements to signify its intentions. . . .

What Russia fears is a unified Germany allied with the West. If Russia were sure Germany would join up with the East, it would soon press for unification.

Madrid, *Hoja Oficial del Lunes*: [Our] skepticism refers not only to Geneva but to all occasions when East and West have met or will meet. Above and beyond whatever conciliatory formula is reached, there predominates a fundamental antagonism, because of the incapacity of the Russians to arrive at true agreement, which in the long run will render sterile any solution reached.

Madrid, *A.B.C.*: How could there be peace with the prospect of a Germany unified and orientated toward neutrality and with the immense China of almost 600 million inhabitants definitely lost to the West? Wouldn't that be "peace at any price"? Or to put it more bluntly, wouldn't it be the equivalent of a new Munich?

JAPAN

Tokyo, *Yomiuri Shimbun*: The West side touched the weak point of the Soviet on the issues of East Europe and international Communism, whereas the Soviet side attacked the weak point of the West side in discussing the Formosan problem and the admission of Red China into the U. N. While we can understand the mood of the West in declining to debate Asiatic problems simply because time is not yet ripe for that, it will not be meeting the expectation of the world, and the aspirations of Asian nations in particular, by shelving Asian problems in en-

tirety. These have been the greatest focal point of international tension.

Tokyo, *Sangyo Keizai:* If the Soviet Union is simply biding time it would be wrong to limit this time to five or 10 years. It is assumed she is biding time for 30 to 50 years at least. The Soviet is fully confident of being able to win in peaceful competition with American and British capitalistic nations.

This is based on her peculiar Communist philosophy. Russia places great value on her policy of peaceful coexistence as having a positive significance which can attract support from the masses of the free nations as well as the peoples of India and other neutralist nations. In a nutshell, it may be concluded through precise analysis of her internal and external situations that the Soviet has now switched to a policy of winning in peaceful competition instead of resorting to war.

With the summit talks as a turning point in relaxing the cold war between East and West, and with peaceful competition being intensified, the responsibilities of West Europe are very great.

Japan, which is a member of the West Europe camp and which has been negotiating with Russia, is now entering into a grave stage.

Tokyo, *Nippon Times*: Years of uneasy peace since the cessation of hostilities in World War II have been years of experiment and stage shifting in the international arena. If they have not actually witnessed the deepening of ideological differences, they have at least seen the gradual construction of a democratic defensive alliance as well as the expansion of international Communism. . . . But they have also shown that no one can get all he wants and that some kind of compromise is required in every sphere of human affairs. Of recent months it has even become apparent that dogmas of totalitarian Communism are not exempt from this universal rule. . . .

However we approach the problems of world reconstruction, we come up against the failure of the Russians to cooperate with the democratic nations—even nations with whom they were allies in the late war.

KOREA

Seoul, *Korean Republic:* What we greatly fear are the appeasement and coexistence pressures brought to bear by America's European allies, especially Britain and France. . . .

Asians do not trust them, not only because of their colonial crimes of the past, but because of what they are trying to do now.

MALAYA

Singapore, *Straits Times:* Agreement on a reduction of armaments? The Russians have now admitted that it is more sensible to attack this problem as a whole than to demand a ban on one form of destruction, atomic warfare. But a reduction of armaments presupposes an acceptance of international control almost impossible to operate without some form of world government. Noninterference in each other's affairs? But it is only on the Russian side that there is still hope that an idea—Communism—will conquer the whole world. "Coexistence?" Yes, but as Mr. Pinay has pointed out, "To coexist it is first necessary to exist," and Sir John Kotelawala [Prime Minister of Ceylon] has emphasized that coexistence is incompatible with the Cominform. Nor is coexistence compatible with the continuous use of the veto in the Security Council, or with frontiers that are closed against the free flow of travelers and information. The growth of confidence is bound to be a slow business.

Nevertheless, this is perhaps the most hopeful moment in history. The Iron Curtain is rusting into holes. The hydrogen bomb has introduced an uneasy balance of power, but at a financial cost which must in the long run weigh much more heavily upon Russia than upon the United States.

. . . There is a genuine improvement in the Russian attitude. . . .

COMMUNIST CHINA

Peiping, *People's Daily:* The resumption of consultation between heads of the big powers, suspended for as long as 10 years, reflects the tremendous change in international political life in the past 10 years. It demonstrates that the policy of strength pursued by certain states is heading for defeat and the policy of peaceful negotiation pursued by peace-loving countries is advancing to victory. . . .

The Soviet Union's firm advocacy of a collective-security system in Europe and the reunification of Germany based on the principles of peace and democracy is a position consistent with the interests of both the German people and the people of Europe as a whole. The Western States have no tenable grounds for not agreeing to the Soviet position. . . .

The United States has repeatedly indicated its reluctance to discuss the Far Eastern situation. This proceeds from a desire not to ease the situation but to create tension and prepare for war. It is certain that such an attitude will evoke opposition from impartial public opinion all over the world.

Tientsin, *Ta Kung Pao:* Over a long period of time, trust has been undermined and the people of many countries have suffered under the crushing burdens of armaments. . . . The Western states have carried on the cold war for 10 years. Apart from poverty, unrest and distress, it has produced no results at all. It is now high time to end the cold war.

THE PHILIPPINES

Manila, *Times:* Mistrust in the years since the end of World War II has been bred by the program of expansionism scrupulously—or unscrupulously—followed by the ruling powers of Communism.

. . . If . . . peoples can be convinced that this program is being abandoned, much of the distrust will have been dissipated and a mammoth stride towards universal peace will have been taken.

INDIA

New Delhi, *Hindustan Times:* President Eisenhower emphatically stated he would not discuss Asia behind the backs of the Asians themselves. This is a laudable stand if only we could be sure that discussions with Asian powers will promptly follow.

New Delhi, *The Times of India:* Judging from the addresses of the big powers, there is little inclination except by the Soviet delegation to discuss Asian issues. . . .

Indefinite postponement of Asian problems, merely because of a complete and satisfactory solution of European problems has not been found, can hardly be justified.

New Delhi, *The Indian Express:* Bulganin took up these [Asian] issues: developments in Laos, Indo-China, lent him added strength. Europe is not the whole world.

(Continued on page 26)

CANADA

Ottawa, *The Journal*: This was not the sort of "summit" gathering that Churchill envisioned. Churchill's idea was that if a private meeting of the heads of state, held secretly, without a huge panoply of publicity and technicians, could define some area of possible agreement, the Foreign Ministers and experts could be called in later to effect the details. . . .

Actually, Premier Bulganin, President Eisenhower, Mr. Eden and Mr. Faure were not talking to one another; they were talking to their peoples back home—not so much seeking agreement as repeating their points of view. The word "concession" was out.

After Washington's recent "disclosures" of what went on at Yalta, with some in the United States claiming that they were unearthing secret base betrayals, Mr. Eisenhower could not dare to open the Geneva talks in secret—he would invite denunciation from many in Congress and from sections of the U. S. press. . . .

The result was the "stated public positions" from which it is "difficult to recede."

It may be that, the world's position being as desperate as it is, no final irreparable damage was done. But it is hard not to believe that agreement was made harder.

Toronto, *The Telegram*: The Allies will not consider dissolution of NATO until confidence and security are established and they will stand by their position that German unity is essential to both. . . .

As has been said, the German question will test the Soviet's intentions. The Allies, insisting that the German people be free to decide, offer all the guarantees that security pacts can provide. The Soviet, which has laid stress on the value of pacts, has now the chance to show its good faith.

Toronto, *The Star*: The outlook is better because Russia and the United States are now approaching common ground on this problem [disarmament] after being miles apart for years. . . . Both President Eisenhower and the Soviet leaders have spoken of a more limited inspection system, which would have the United Nations set up control posts in big ports, railway junctions, roads and airports of all nations to keep an eye out for signs of impending sudden attack on one state by another. This would not be a foolproof system, but it would give much earlier warning of a large attack than the radar screen across the Canadian North.

Montreal, *The Star*: The ultimate success of the Geneva talks will probably rest upon the success of the Big Three in persuading the Russians that the H-bomb has changed [war] and that space alone no longer provides the security it once did. The fact that President Eisenhower and Marshal Zhukov have both spent their lives studying just this type of problem may prove to be the single fact of greatest importance at the conference. Something is being made of the French Premier's divergence from the American position on the question of disarmament. . . . Disarmament in any form is still a long way off, and a score of proposals will be submitted and discarded before any scheme can be worked out.

Montreal, *The Gazette*: . . . Hope struggles with doubt. The hope is precious: that at last it may be possible for people to live the life of freedom without fear. But if the hope is precious, the doubt is firm: that whatever agreement may be reached may have little meaning. It may certainly be hoped that circumstances alter cases. Much has happened since the Yalta meetings with Russia in 1945. And Yalta cannot, and should not, be put wholly out of mind. For Yalta teaches the lesson that concessions mean little unless they are carried out. . . . Between Yalta and Geneva a dreary gulf is spread—a hell paved as much by Western good intentions as by Soviet contempt for them.

ARGENTINA

Buenos Aires, *The Standard*: Many people, ourselves included, believe that NATO was never meant to be anything but a military organization, for which reason we should not be surprised if one result of the present Geneva talks is another form of Western association, with less emphasis on the military aspect. We are loath to believe that only fear is holding the Western alliance together.

Buenos Aires, *The Herald*: The Russians have latterly given the impression that they genuinely seek an accomodation. . . . The American and the British have leaders who can be trusted to honor anything they sign—but postwar experiences of their governments and peoples will preclude their signing any agreement that betrays others' rights or jeopardizes their own security.

MEXICO

Mexico City, *Excelsior*—July 18, 1955: . . . Everything is vague and indecisive. No conference of this type ever prevented continuing friction among the participants. Germany, China, Korea and Indo-China are divided, constituting a danger to world peace. These divisions are only emergency transitory measures prolonging the time when the political-military infection will become a disease that can be cured only by war.

Mexico City, *Excelsior*—July 19, 1955: While Stalin is mummifying, the Russian leaders show little unity. The Russian economy has produced no bonanza even in heavy industry, and the war of nerves is not proceeding at the expected pace. For the first time, the Occident is marching in a united front, none of the Western leaders visionary or megalomaniac. All have a great feeling of realism.

Mexico City, *Novedades*: The world should not be optimistic nor pessimistic concerning the outcome of the conference. Basic problem is the question whether Soviet im-

(Continued on page 88)

THE "BIG TWO" AT GENEVA

Eisenhower and Khrushchev Stole the Show

There is a lot more to a Big Four Conference than meets the eye. Formal announcements tell only part of the story.

Work goes on around the clock. A remark dropped at dinner can be a tip-off on the next turn in the "cold war."

What follows is the on-the-scene story of what happened at Geneva—away from the Conference table.

GENEVA

From start to finish, two men stood out at the Big Four Conference in Geneva—Dwight D. Eisenhower, President of the United States, and Nikita Khrushchev, the Communist Party boss of Russia.

Long before the Conference entered its final phases, the roles of Britain and France became thoroughly overshadowed by what observers termed "The Big Two"—the United States and the Soviet Union.

Everybody had expected the Chief Executive of the U. S. to be one of the star attractions. What drew attention to Khrushchev was his obvious efforts to establish himself as the man who makes the decisions in Moscow.

Although Premier Nikolai Bulganin was the Soviet "summit" by title—the man who made the formal appearances and delivered the set speeches—it was Khrushchev who concentrated on doing business at the dinner meetings and other social gatherings.

Khrushchev's role showed up early, during a dinner France's Premier Edgar Faure gave for the Soviet delegation. There Premier Bulganin limited himself to small talk and generalities. The minute important matters came up, Khrushchev took over the conversation.

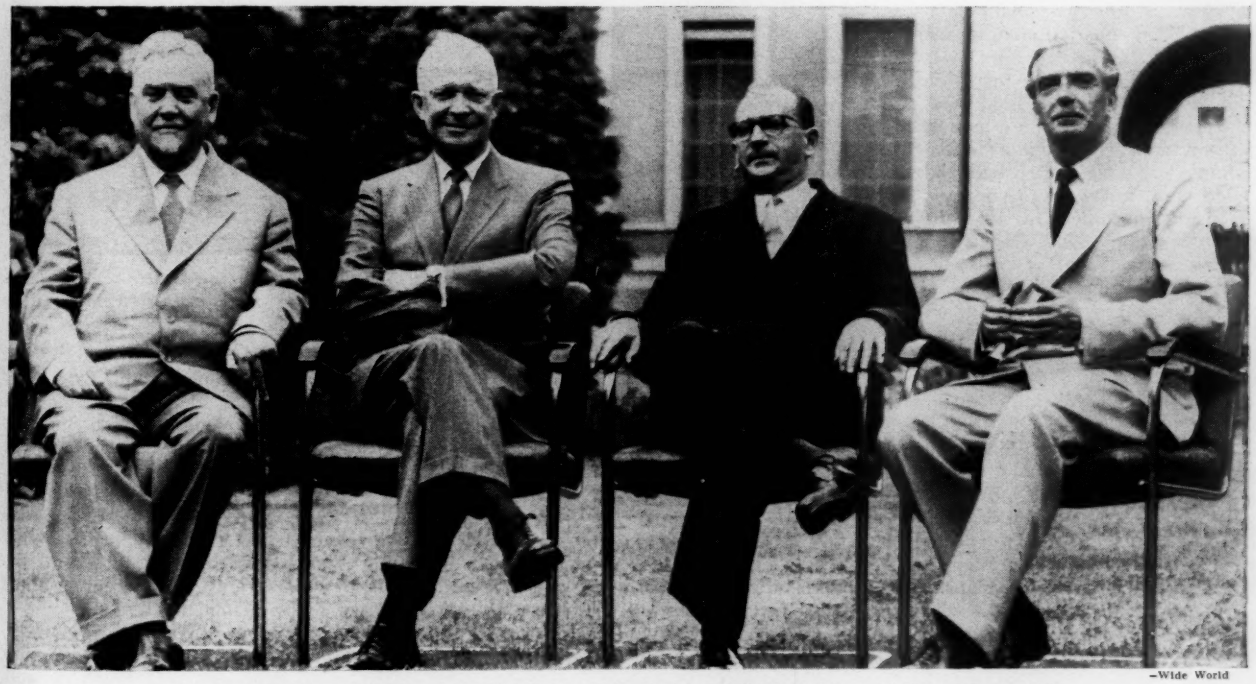
President Eisenhower had an opportunity to test the relative rank of Khrushchev, Bulganin, Defense Minister Georgi Zhukov and the other Communists at a later dinner that he and Secretary of State John Foster Dulles gave for the other delegations. After dinner, Khrushchev moved to the President's side and started talking. An American official who was present said:

"I cannot give details, but the atmosphere was cordial. A beginning has been made safely."

That night the lights burned late in U. S. headquarters, where the Americans discussed among themselves their various impressions of the Soviet leaders.

Despite Khrushchev's constant efforts to show the officials of the West that he is Russia's real boss, most experts are now convinced more than ever that the Soviet Union is being run by a committee. While Bulganin, Zhukov and Foreign Minister V. M. Molotov generally deferred to Khrushchev's brusqueness, they showed no great fear of him—nor any great respect for what he had to say. None had any hesitancy in interrupting the Communist boss in the middle of a sentence to make some point or other.

To Allied observers, the attitude of the other Communists indicated this: While Khrushchev has assumed the role of the



—Wide World

THE FORMAL LINE-UP AT GENEVA: BULGANIN, EISENHOWER, FAURE AND EDEN
Only one of the "Big Two" is in the picture

[continued]

THE "BIG TWO" AT GENEVA

top-ranking member of a committee running Russia, he still is far from being established as Joseph Stalin's successor.

Reds' phony pose. The top Communists made a big show of their lack of concern for personal safety and security. To most observers it was a deliberate propaganda play intended to draw a contrast with the heavy, conspicuous guard provided President Eisenhower. But much of the Communist pose was phony.

The U. S. Secret Service managed all security arrangements at President Eisenhower's temporary residence in Geneva. In addition to the American agents guarding the villa grounds and house, the Secret Service accepted a Swiss offer to station a number of armed soldiers around the estate walls. At one time there were a dozen or so on guard duty. All this time, one lone Swiss soldier patrolled the Soviet headquarters.

The Russians carried such contrasts to extremes. On the day the Conference opened President Eisenhower arrived at the gates of the Palace of Nations in a big limousine preceded by Swiss motorcycle police and a carload of Secret Service agents. Another open car filled with Secret Service men brought up the rear. The Soviet delegates arrived at the Palace riding in two small, open automobiles. They chatted among themselves and waved to the spectators.

Actually, however, the men from Moscow were not nearly as indifferent about their personal security as they tried to make it appear. Spectators noticed, for example, that their open cars were preceded and followed by heavy, closed limousines occupied by watchful Russian bodyguards. And what most people did not realize was that on the inside of Communist-occupied villas—hidden from public view—heavily armed security officers imported from Moscow guarded the safety of Khrushchev, Bulganin and the others.

The Russians' working headquarters at the Hotel Metropole was tightly closed to all except the Soviet delegates and their aides. Non-Soviet visitors could get no farther than the lobby. Even observers sent to the Geneva Conference by satellite governments reported they were excluded from the parts of the hotel occupied by the Russians.

Eisenhowers pleased. The Swiss villa that was his temporary home in Geneva was a pleasant surprise to President Eisenhower. Mrs. Eisenhower, too, was delighted with the charm of the residence, the carefully tended formal gardens, terraced lawns and woodlands that overlook the lake bordering the estate.

The villa itself, the President noted, looks something like the Governor's Palace in restored Williamsburg, Va. On arrival, Mr. Eisenhower commented with obvious pleasure about the fine parquet floors, valuable but comfortable antique furniture, the tapestries and oil paintings that decorate the residence.

The only incongruous item in the spacious living room was a small but powerful radio set and an intercommunications system. The President observed that the equipment was plugged into wires that were strung through a tiny hole between sections of the fine wood paneling, and commented:

"Well, that will bring no complaints from the landlord."

A busy schedule. The Big Four meeting meant a grueling schedule for President Eisenhower—even before the Conference formally opened. Here is a report on the 24-hour period that preceded the opening day:

The night he arrived, Mr. Eisenhower conferred with Secretary of State Dulles before retiring at 11 p.m.

Next morning—Sunday—President and Mrs. Eisenhower and their son, John, attended the American Church in Geneva.

After the services, Mr. Eisenhower received the British Prime Minister and French Premier and their foreign ministers. They left at 2 p.m.

At 4:30 p.m. Prime Minister Eden returned for a private talk with the President. Their meeting lasted an hour.

At 5:30 p.m. Premier Faure of France arrived for a similar, though briefer, session with Mr. Eisenhower.

—Wide World

CLOSE BEHIND MR. BULGANIN, MR. KHRUSHCHEV
So far, the party boss is not a second Stalin

The Eisenhowers dined quietly—just the family and an old friend, Brig. Gen. Sir James Gault, of Britain, who was General Eisenhower's aide at Supreme Headquarters Allied Powers Europe. The President retired at 11 p. m.

A long trip. President Eisenhower traveled farther than any of the other Big Four representatives to attend the Geneva Conference. This is an informal log of his trip from the U. S.:

The President boarded his plane in Washington the night of July 15. He had six hours' sleep and four hours of work en route to Keflavik, Iceland.

During the Keflavik stop Mr. Eisen-

hower went through an intense round of visits at the U. S. air base, exchanged greetings with President Asgeir Asgeirsson of Iceland and attended a banquet.

As soon as the plane was airborne again, the President went to work on a stack of reports, including last-minute messages from Secretary Dulles. There was no more time for sleep en route to Geneva.

Protocol duties upon arrival at Geneva were exacting. Mr. Eisenhower exchanged greetings at the airport with President Max Petitpierre of Switzerland. He reviewed an honor guard of crack Zurich fusiliers, complimenting the company commander on the equipment and appearance of his men, then departed for his villa—and a pre-Big Four session with Mr. Dulles.

Soviet slips. The Communist leaders went out of their way at Geneva to show their cordiality. They were in an obvious contest with President Eisenhower to win good will—so much so that amused spectators couldn't miss noticing a couple of Soviet miscues. For example:

Khrushchev and Bulganin reviewed the same Swiss honor guard that Mr. Eisenhower reviewed—but they pulled a diplomatic blunder by failing to pay their respects to the commanding officer. Then Khrushchev made things worse by fidgeting and whispering to Foreign Minister V. M. Molotov all through Premier Bulganin's formal reply to greetings from the Swiss President.

The Communists were caught off guard, too, when the Eisenhower family went to church. Someone asked a Soviet newspaperman if Bulganin and Khrushchev also planned to attend religious services in Geneva. His reply:

"No. Anyhow, there's no Russian church here."

Russian horseplay. Soviet officials—among the most camera-shy people in the world in Joseph Stalin's day—suddenly are acting as if there is nothing they enjoy more than having their antics recorded on film.

On one occasion at Geneva, they invited photographers of all nationalities into Premier Bulganin's residence for a half hour of picture taking. The Russians drank toasts to the photographers, joked with them and slapped them on the back. They indulged themselves in an unprecedented display of horseplay while the flash bulbs popped.

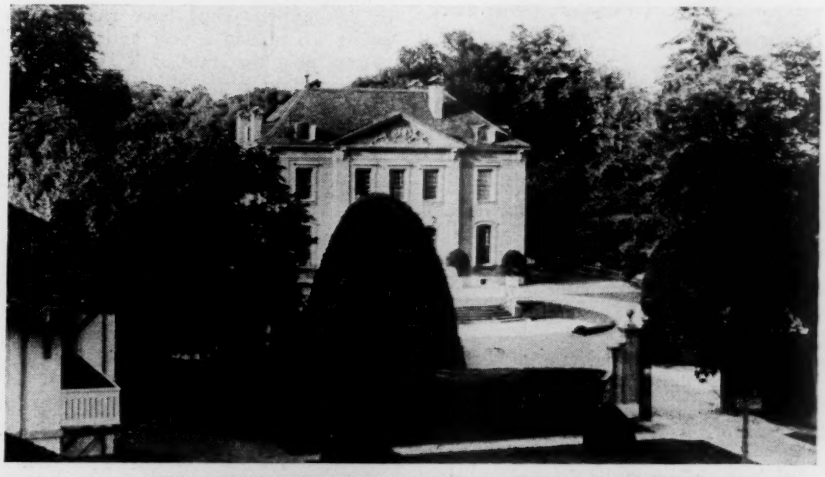
All the Kremlin delegates posed for souvenir portraits and close-ups. Once, Bulganin pressed his nose against the lens of one camera and laughed:

"Is this close enough for you?"

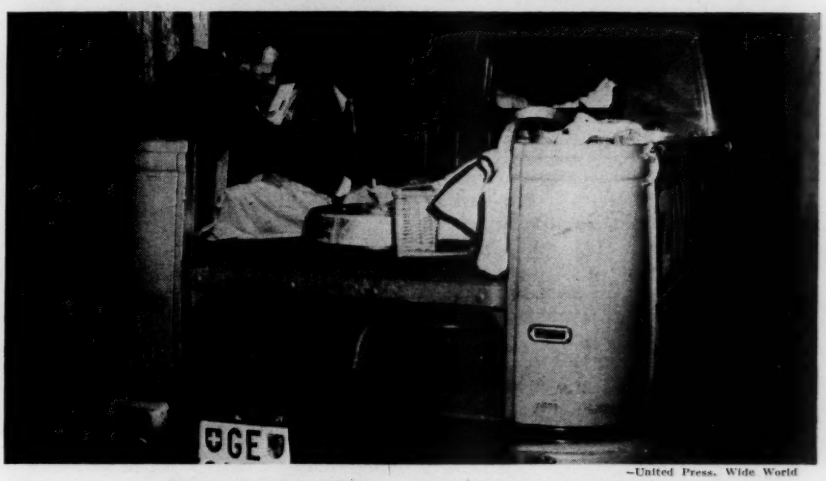
Photographers put it all down to part of the Communists' new "happy look."

FOR THE EISENHOWERS: A GENEVA "WHITE HOUSE"

THE EISENHOWERS SMILE THEIR APPROVAL OF NEW "HOME"



VILLA RESEMBLES THE PALACE AT WILLIAMSBURG



—United Press, Wide World

FOOD TRUCK GETS A SECRET-SERVICE CHECK

American security precautions were out in the open

37 MILLION BABIES— KEY TO BUSINESS FUTURE

Postwar Births Mean 4 Million New Customers a Year

In making long-term plans, business now needs to consider—

Demand for goods, with the present big baby crops and a "normal" increase in living standards, will be up 50 per cent by 1975.

Annual increase in the number of U. S. customers now equals a city the size of Philadelphia each year.

Population rise now charted means 228 million Americans by '75.

In the 10 years since World War II ended, 37.4 million babies have been born to American families. In the 10 years just ahead, 42 million more babies will be born. And, in the decade ending in 1975, births will total 52 million.

These facts of population go far to explain why business activity has been so high in the postwar years. Business has to be fairly active simply to take care of the annual increase in people. At the present time, about 4.1 million babies are born each year. Population growth—the excess of births and immigration over deaths—is running 2.8 million a year. That's the equivalent of adding to the U. S. each year a new city larger than Philadelphia.

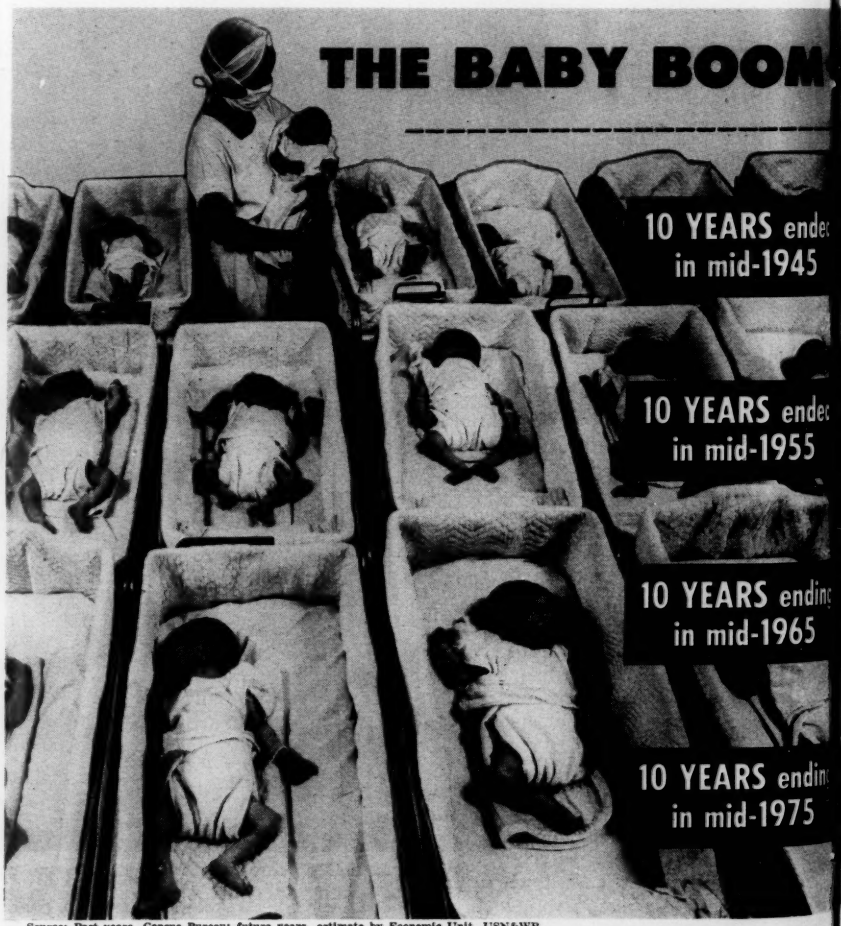
Furthermore, you can count definitely on an increase in births and in total population for the years ahead. The millions of babies born in the last 10 years will begin to reach marriageable age in the 1960s. That will produce a jump in the number of births. By 1965, births are expected to reach 4.5 million; by 1970, to exceed 5 million and, by 1975, to approach 6 million.

The population growth that lies ahead is shown in the chart on page 32. Today, the United States contains more than 165 million people. Five years from now there will be 179 million. Ten years hence, population probably will top 192 million and by 1975 it is likely to be close to 228 million.

This expansion in population has great significance for American business. It means, briefly, that business will have to supply a great many more people with food and clothing and homes and the countless other things that the American standard of living demands. It means that business, too, will have to expand to meet the requirements of a growing population.

A major influence on business activity in years ahead will be the marriage rate. Marriages hit a record in 1946 at close to 2.3 million. They have since fallen below 1.5 million a year and are likely to stay near that rate until 1960, when a rising trend is expected to begin. People of marriageable age will increase in numbers in the 1960s and the effects of their increasing demand will spread widely through the business community.

$13,600 per marriage. Conservative estimates by the Economic Unit of *U. S. News & World Report* put new demand resulting from a marriage at about $13,600. That includes $10,000 for the cost of a new dwelling, whether purchased or rented; at least $500 for an automobile, and an average of $2,500 to equip a new household with furniture and electrical appliances. In addition, there are expenses incident to a wedding, such as rings, clothing, and catering charges. This spending reflects de-



Source: Past years, Census Bureau; future years, estimate by Economic Unit, USN&WR

mand that would not come into existence without a marriage. Obviously, marriages –the formation of new families–stimulate the volume of business.

In fact, you can make rough estimates of the amount of new spending that marriages will generate. At the present time, with marriages running close to 1.5 million a year, new spending comes to a little more than 20 billion dollars a year. In the early 1960s, marriages are likely to step up to about 1.6 million a year, bringing additional annual spending near 22 billions. In the early 1970s, the signs are, marriages will average 2.3 million a year–equal to the 1946 peak–with new spending coming to 31 billions a year.

Businessmen thus appear to be able to count on a considerable expansion of their markets in years ahead solely because of the indicated upturn in marriages. But expansion will not stop there. New families mean more babies and more babies mean still more demand for goods and services. The formation of new families will have a spreading effect on the American economy.

Total births are likely to rise sharply in 1965 and later years, even if the birth rate drops below its present level. In recent years the birth rate has been rising steadily, but population experts in the Census Bureau assume that a leveling off is about due. Total population, nevertheless, will continue to grow because marriages will increase.

Population growth, in fact, has surprised the experts. The present population is about 460,000 larger than the experts had estimated only two years ago. In years ahead, it promises to be larger than even the "high" official estimates of a few years ago.

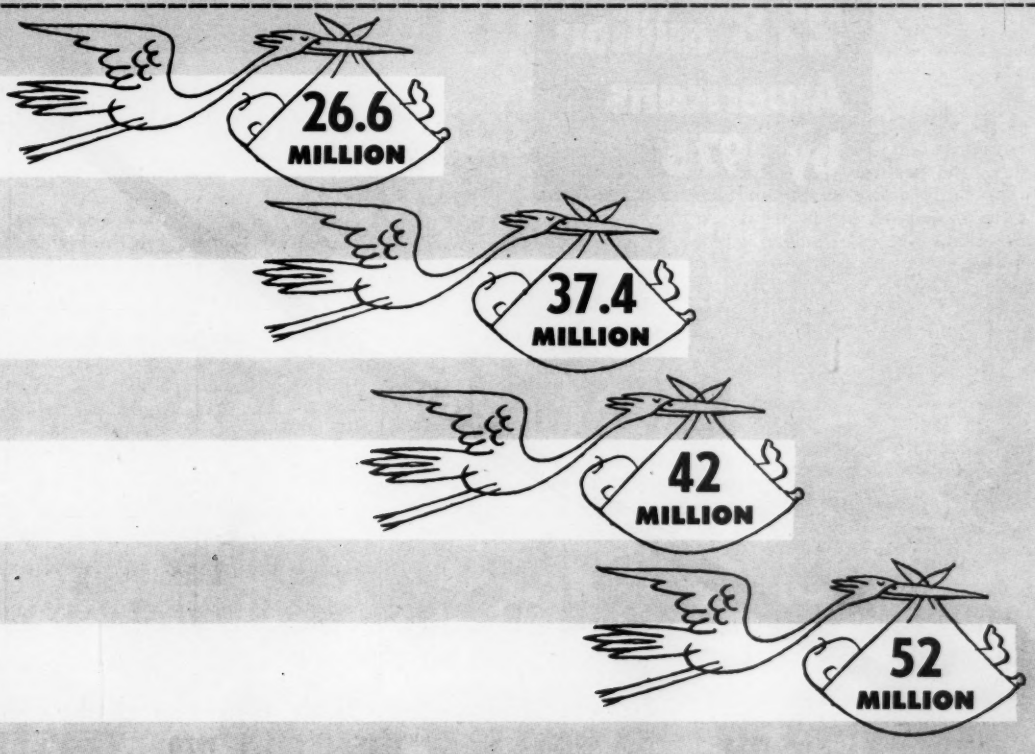
The pattern of population growth gives a fairly clear indication of future demand that business can count on. There will be, initially, a big demand for houses, furniture and cars that flows directly out of the new families formed by marriages. A short time later, births will increase, bringing a kind of boom in the market for baby foods, infants' clothing and supplies, toys and playground equipment.

Business firms also can count on an expanding market in the 10 years immediately ahead for goods and services catering to the wants of elderly people. The rise in the number of people 65 years of age and older will be faster between now and 1965 than among the population generally.

A two-way increase. Actually, if you assume that the American standard of living is going to stay as high as it is now, all businesses will benefit from population growth. By 1965, for example, consumers will require 17 per cent more goods and services than are being produced today–simply because there will be more consumers. By 1975, requirements will be 37 per cent higher than at present.

Living standards, however, have been improving in recent years. The rate of improvement, measured by the goods and services each person gets, has been about 1 per cent a year. If this consumption-rate increase continues, the American people, as a whole, will require about 30 per cent more goods and services in 1965 than they are getting today, and the

BIGGER AND BIGGER (Total number of births in U.S.)



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[continued]

37 MILLION BABIES—MANY CUSTOMERS

increase by 1975 will amount to more than 50 per cent.

Business analysts thus can find in the prospect of population growth a sound basis for expecting expanding markets in the years ahead. The only hitch could be some unexpected event, such as a major war or a major depression, that would interfere with the trend in marriages and births and interrupt the rise of living standards.

More schools, more roads. The rise in marriages and births indicated for the 1960s promises to keep alive the present demand for school expansion. Official estimates are that some 4 billion dollars a year should be spent through 1964 on school construction if educational needs are to be met. Last year, about 2.6 billion was spent and this year the outlay is expected to reach only 3 billion. School construction, in other words, is failing to catch up with current needs.

The shortage of classrooms and teachers now is concentrated in the elementary grades. That's because of the large number of births in recent years. Those children now are reaching school age. But, between now and 1960, crowding will flood over into high schools as the children grow up. Colleges can expect the flood to hit them around 1965.

For the late 1960s you can expect another big gain in elementary-school enrollment, as a result of the upsurge in births indicated for that decade.

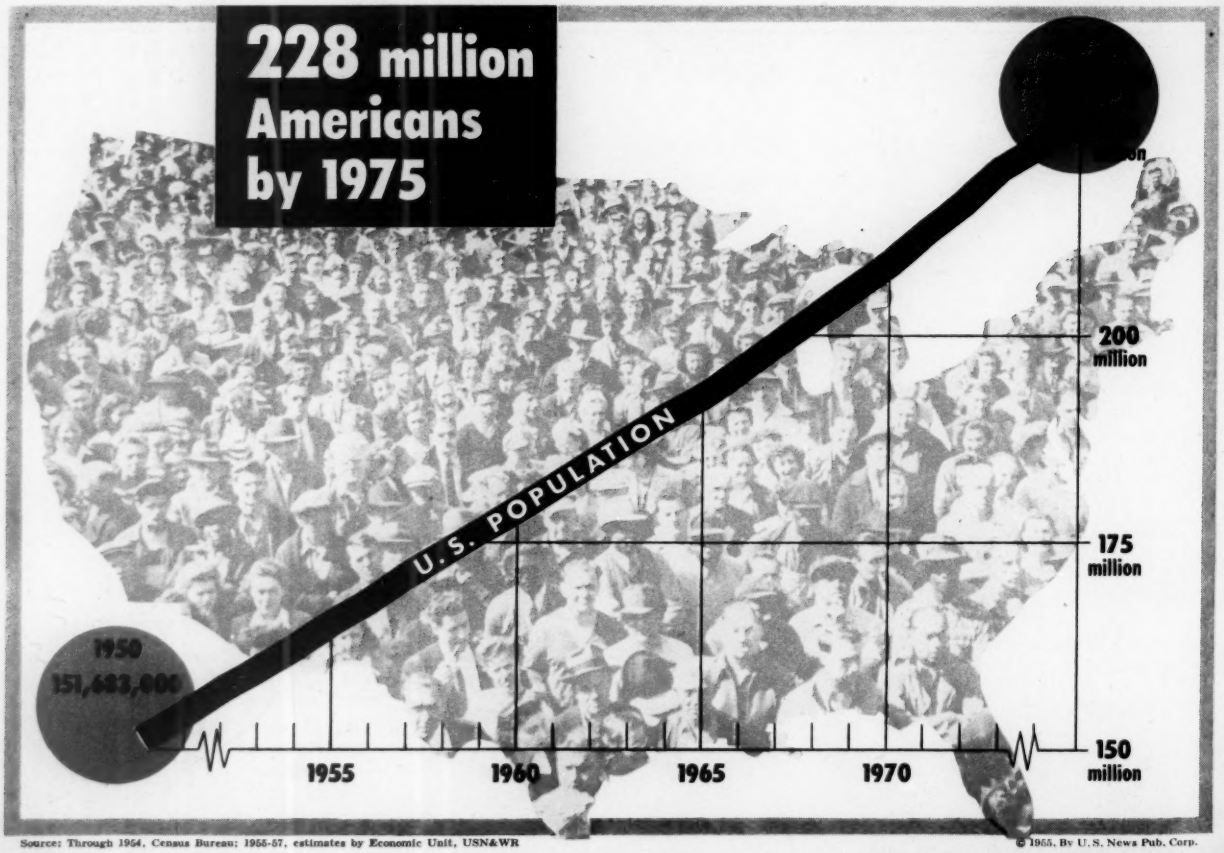
The problem of building enough schools promises to be a continuing one in the years ahead. That probably means that school construction will be larger—much larger than at present—for many years to come. Coupling this with the demand for new housing that can be foreseen when marriages increase in the 1960s, analysts can easily forecast that the building boom that has shown such strength in the past 10 years will continue to be strong in the future.

A growing population also provides a base for a continuing boom in highway construction.

In short, the pressure of population is a strong sign that there will be no lack of need for public works in years ahead. Not only will the country require more schools and highways, but also more water systems, sewage plants and recreation centers. Even today, officials at all levels of government are concerned over the growing use of water. Water-development projects, including stream purification, are likely to dot the country before long.

End of farm surplus? A population increase also may bring about a solution of today's troublesome farm problem. More people will require more food and the demand for farm products will doubtless increase. Some officials of the Department of Agriculture are inclined to regard present surpluses as a short-term problem. Over the long run, they say, American farmers very likely will be pressed to produce more rather than less food—just because there will be millions more to feed.

The annual baby crop, thus, is of basic importance to American business. It assures a steady expansion in the number of customers and provides a foundation on which business firms can make long-term plans for production and marketing.



Source: Through 1954, Census Bureau; 1955-57, estimates by Economic Unit, USN&WR

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'Excitement rides with you . . . *when you ride a "Rocket"* *Oldsmobile!* For here is a car more active than your imagination . . . free and fleet and vibrantly alive in every wonderful way! For taking off or taking a curve, for smooth stopping and easy steering, for easing through traffic or breezing along—you'll find that Oldsmobile is different . . . *dramatically different!* And the brilliant beauty is something you can't miss . . . up close or 'way down the road. That's Oldsmobile's exclusive "flying color" flair . . . the "Go-Ahead" look that matches the "Rocket's" go-ahead spirit! See your dealer for a demonstration. Get out of the ordinary . . . get into an OLDS!

88

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MILITARY SERVICE: ABC'S OF THE NEW RULES

Plan for rebuilding the Reserves is in final stages.

Draft-age youths will find new ways to meet service requirements in this plan. Veterans get new incentives to join Reserves, incur no penalties for not joining.

It's far from the plan that military leaders wanted. But Congress is calling the tune on this touchy issue.

How will the new military-Reserve plans change the outlook for youths?

It will open up new alternatives to the draft, new routes to deferments. And it is to change the nature of military obligations for future draftees and veterans.

Does it mean that more youths, or fewer, are headed for military service?

More. Up to now the armed forces have been drafting and enlisting enough youths to maintain a standing Army, Navy and Air Force of around 3 million men. Now, they will also begin building up the Ready Reserve by taking youths directly out of civilian life, assuming the new plan becomes law.

So the draft will get tighter?

A little tighter perhaps, but not much, barring war. The number of youths reaching military age is increasing each year. That will largely offset the higher demand for youths stemming from Reserve needs. Net result is that draft will go on about as at present, with youths in most areas called for draft examinations after they reach age 21, and some not called at all. Many youths volunteer at an early age, through their draft boards, to get service over with. They can still do this under the proposed Reserve plan.

What are to be the alternatives to the draft?

Most important is the six months' training plan. This offers high-school graduates who are between 17 and 18½ years of age an opportunity to enlist in the Army, Marines, or National Guard for six months of basic training, followed by seven and one half years of Reserve training.

Could a youth complete his training before starting to college?

Yes. That's a big advantage of this plan, as manpower officials see it. A youth might enter the Army or Marines during summer vacation, after graduating from high school or preparatory school. He could have six months of service completed and be ready to enter college by the beginning of the second semester in the college year. While in college, he could discharge four of his seven and one half years of Reserve obligation by attending 30-day training periods in summer vacations, or by a combination of weekly drills and 17-day summer maneuvers. When he completed college, he would face only three and one half years more of Reserve duty, instead of two years of active duty plus four years in the Reserve.

Will Reserve Officers Training Corps drills fit into this program?

Not directly. Youths who join the ROTC are training for commissions. They agree to accept a commission if offered and to serve two years on active duty if called. However, many ROTC graduates will be given the chance, after they have their commissions, of serving six months on active duty followed by a stint with the Ready Reserve, in lieu of going on active duty for two years.

Will there be another new way around the draft?

Yes. Youths 17 to 18½ are to be allowed to enlist in the Army or Marine Reserves without first undergoing six months of basic training. But they will have to drill and attend summer maneuvers until age 28. This is comparable to the opportunity offered by the National Guard.

How much drilling will a youth have to do in the Reserves?

In the Ready Reserves he must attend four drills a month and 17 days of field maneuvers a year. Some youths, such as those attending college, probably will be allowed to meet requirements with 30 days of active duty each summer in place of weekly drills.

–USN&WR Photo

FOR RESERVISTS . . .
. . . six to eight years of military obligation

Can he be called to active duty at any time?

Yes. He's subject to call by the President for active duty anywhere.

What will be the chance of getting into the six months' training plan?

About 800,000 physically fit youths pass their seventeenth birthday each year. Only 250,000 will be accepted annually for the six months' program and the direct Reserve-enlistment program. Obviously, if the programs look like a good deal to youths, competition will be keen for the available openings.

How does a boy sign up?

The Army and Marines will announce details after the plan becomes fully

Under New Manpower Plan:

YOUTHS OF MILITARY AGE CAN EXPECT THIS

Draft. To go on, until mid-1959. In practice, draft does not reach below age 21 in most areas. Average youth has three years or more, after registering, before draft gets close. Liability ends at age 26, except for deferred men.

Deferments. No change. Students, fathers, essential workers remain deferred as long as their draft boards approve. Deferments extend draft liability to age 35.

Reserve duty. No drilling required of veterans or men now in service. Men drafted or enlisted after new plan becomes law will have to serve in active Reserves.

New training plan. Alternative to draft. Open to youths 17 to 18½. Army will pass the word when applications can be made. Program calls for six months of active duty, followed by seven and a half years in active Reserves.

Military obligation. Combined active duty and Reserve status last eight years for men now in service. To be six years for men beginning service in the future, except for those who enter special Reserve training.

effective, which would be sometime in August, at the earliest.

Will the Air Force and Navy offer a six months' training program?

They have announced no plans for such a program.

What if a youth skips Reserve drills?

He can be discharged and put at the top of his draft board's list for early drafting.

What if a youth wanted to move to a new location while still in the Reserves?

He would be transferred to the Reserve unit nearest his new home.

Will anybody be deferred from the Ready Reserve after completing the six months of training?

There is provision for such deferments, but how they will work out in practice is not yet explained. The proposed law says that the President may designate as "critical" those professional and technical occupations where shortages of manpower exist. Youths in such specialties could apply for transfer to the Standby Reserve after basic training. In the Standby Reserve, a youth would do no drilling, attend no maneuvers, be subject to call only in time of emergency declared by Congress, and not then unless tapped for duty by his local draft board. At this time, however, no announcement has been made as to what occupations will be designated as "critical."

Will the six months' training plan be open to anyone over 18½?

It's possible, but plans are not firm on how many older youths will be given this opportunity to by-pass the draft. The new Reserve setup provides for enlistment of men in critical occupations—as designated by the President—in the program of six months of training, plus Reserve duty. This aspect of the Reserve rules will be governed by regulations not yet issued.

What are the Reserve obligations of veterans under the new plan?

Men who enter service after the plan becomes law will have to serve up to three years in the Ready Reserve. They're due for compulsory Reserve service.

What about former servicemen, and those now in service?

Veterans who entered active duty any time before the new plan becomes law will not be required to serve against their will in an active Reserve unit. However, they will remain subject to call in an emergency, just like active Reservists, for up to three years, depending on how long they served on active duty. In order to attract some of these veterans into drilling units, it is proposed that a veteran who agrees to drill one year will be transferred after that period to the Standby Reserve, where he is callable only in time of war. A limit of 200,000 a year is placed on the number who can take this offer.

Is there to be a bonus of $200 to $400 for veterans who join the Reserves?

No. That was proposed, but Congress rejected it.

Can men in service now get out early, by volunteering for the active Reserves?

Congress authorized such a program, to be open to men with at least 12 months of active duty behind them. The armed forces are not enthusiastic about the idea, and they will decide whether it is to be put into effect.

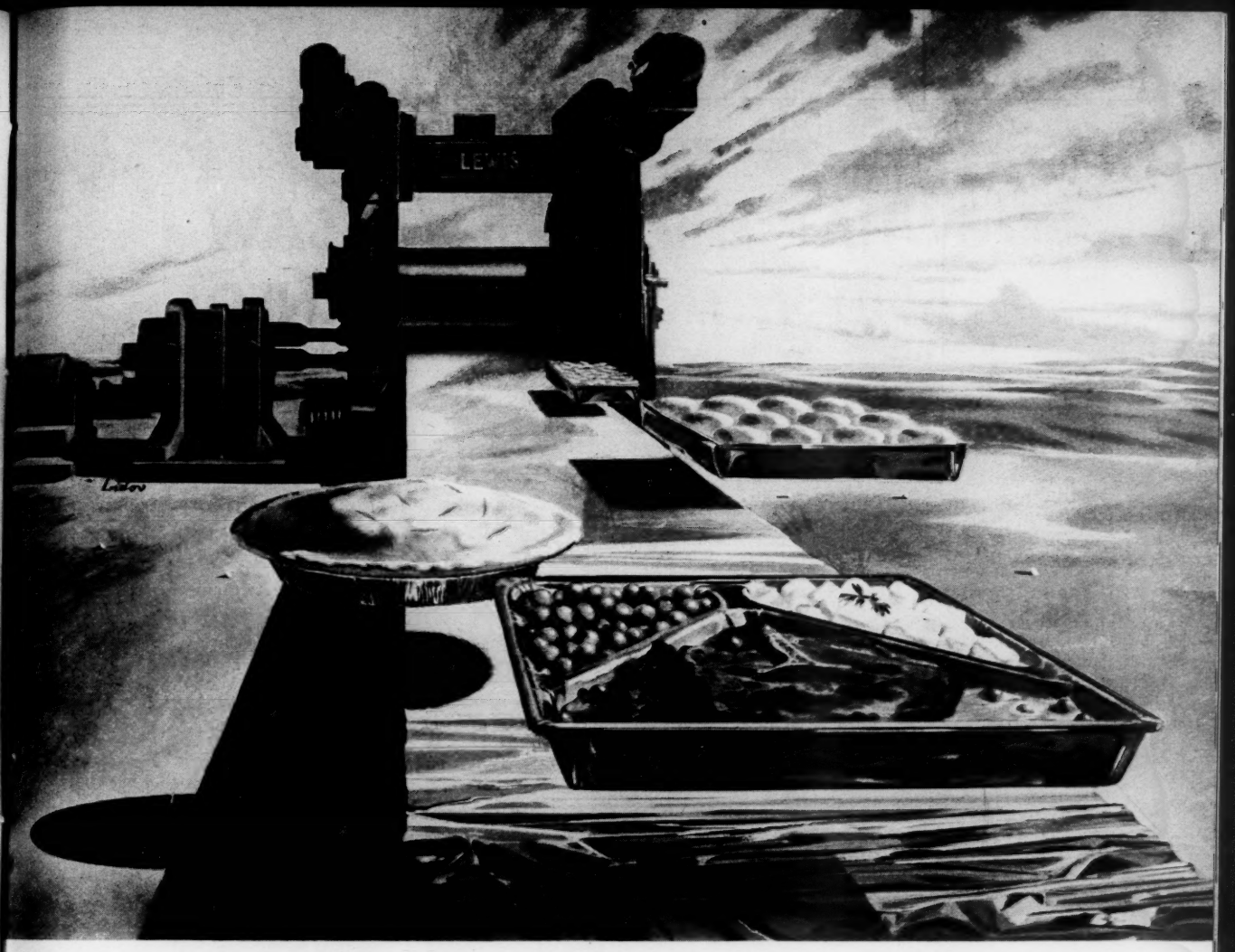
What about duration of the over-all military obligation?

It is to stay at eight years, counting both active duty and Reserve status, for men who began active service prior to the enactment of this plan into law. For youths who enter service after the new plan takes effect, total military obligation is to be six years for those who serve at least two years on active duty; eight years for those who join the special short-term training plans.

That's an outline of the compromise Reserve plan worked out by the House and Senate. The military wanted power to draft more men for the Reserves, but Congress is insisting on a system that is mostly voluntary.

—Dept. of Defense

RESERVE-TRAINING PROGRAM
. . . one alternative to the draft



changing America's eating habits...

American eating habits are undergoing a drastic change. Gone is the traditional table groaning under a family meal that took hours, perhaps days to prepare. Its place has been taken by the easy-to-prepare and serve, "heat 'n eat" meals that come packaged in an aluminum tray, which serves as both the heating container and the platter on which the meal is served and eaten. Not only does the "package" save wear and tear and time in preparing the meal, but eliminates dishwashing, since the aluminum container can be tossed away after the meal.

The revolution in American eating habits was made possible in a large way by aluminum rolling mills designed by Blaw-Knox engineers, manufactured in a Blaw-Knox plant. In 1954, over 153 million pounds of aluminum foil were shipped by eleven producers and most of it was made on Blaw-Knox rolling mills.

This is another of the many Blaw-Knox engineering achievements that increase productivity, lower costs, and add to the joys of living. The list below is an indication of the broad scope of Blaw-Knox activities.

again it's

BLAW-KNOX

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2012 Farmers Bank Building / Pittsburgh 22, Penna.

Engineering, Design and Plant Construction: Chemical, food, oil, gas and other industries; A.E.C., Chemical Corps, engineers

Castings: Heavy type steel and alloy castings; high alloy for resistance to extremes of temperature, corrosion, abrasion

Process Equipment: Evaporators, dryers, welded pressure vessels and digesters

Grating: Open steel flooring

Rolls and Rolling Mills, for Steel and Other Metals: Rolling mills, mill drives, shears, special equipment; rolls; open hearth equipment, including water cooled furnace doors, frames, reversing valves, dolomite machines and other auxiliaries

Piping and Sprinkler Systems: Pressure piping and automatic fire protection systems for chemical and power plants, steel mills, oil refineries and for process industries generally

Construction Equipment: Road building black-top and concrete pavers, spreaders, finishers, subgraders, rollers, truck-mixers, road rails and aggregate concrete mixing equipment; heavy forms (for subways, tunnels, dams); clamshell buckets

Towers: Radio, television, microwave, power transmission

Ordnance: Anti-aircraft gun mounts; armor castings for tanks

Tour Through the Corn Belt . . .

WHAT THE RUSSIANS SAW AND WHAT THEY LEARNED

For visiting Soviet farm officials, their first look at American agriculture is turning out to be a real eye opener.

Modern methods that are routine in this country are amazing the Russians. And the independence of the American farmer puzzles their Communist-trained minds.

To get this report of how the Russians are being affected by their tour of American farms, *U. S. News & World Report* sent along with them a member of its Board of Editors, a photographer—and an interpreter.

Much of what follows was gleaned from remarks not intended for American ears.

—all photos by USN&WR

RUSSIANS IN IOWA: "LOOK AT THAT CORN!"

DES MOINES, Ia.

Twelve Russians are visiting American farms for the first time—and this is how they are reacting to what they see:

- The Russians are amazed at the number of acres that one American family can farm without any outside help, and at the way machines are used to replace the work of hands.
- They are shocked at the "waste" that American farmers are willing to accept in mechanical harvesting operations that leave parts of the crops lying in the fields.
- They are impressed by the enormous productivity of American farms.
- They are puzzled by the freedom that an American farmer has to run his farm as he desires.
- And they are curious about the profit system on which American agriculture operates. For representatives of a communistic system, the Russians are asking a surprising number of questions about the costs and profits of America's privately owned farm operations.

These are the impressions left by a visiting delegation of Soviet farm officials on their tour through the American corn belt.

Revealing to Americans, too. This visit, designed primarily to provide the Russians with information to help them increase their food production, is proving informative to Americans as well as to the Russians. It is giving Americans a view of Russia—and of Communism—through what is turning out to be one of the widest cracks ever opened in the Iron Curtain.

Most revealing to Americans are the

things about American farming that amaze the Russians.

On their first day in Iowa, as they drove past green farm fields, the Russians kept asking each other in puzzlement: "Where are the workers?" It was plain that they felt the fields should be full of laborers, tilling the soil.

Arriving at the farm home of Richard L. Alleman, near Des Moines, they expressed surprise that he should be able to operate the entire 160-acre farm by himself. They asked Mr. Alleman how many extra men he would have to hire for his oats harvest.

They were told that Mr. Alleman probably would hire one extra man.

"One," shouted Aleksandr Tulupnikov. "By us a hundred!"

The Russians were delighted with a mechanical baler, climbed a barbed-wire fence to inspect it. They watched with interest mechanical harvesting of alfalfa, saw two boys, 10 and 11 years old, driving tractors. They admired a tractor-mounted corn planter. They appeared impressed by mechanical milkers.

"Waste." The Russians were appalled, however, at what appeared to them as the wastefulness of some mechanical operations.

After watching a mechanized alfalfa harvest, the Russians complained that many alfalfa leaves were being lost, left to rot on the ground. In their country, they explained, the hay would be stacked by hand to prevent such waste.

On one farm, the Russians asked what was done with the corn stalks after the ears had been harvested. The answer was that usually the stalks are plowed into the ground. This surprised the Russians, who said that back home they would have farm workers glean the stalks to be saved for livestock food.

At another farm, the Russians asked how many workers were used to glean the ears of corn that dropped to the ground during mechanical picking operations. They were told that the general practice in America is to let cattle or hogs go into the corn fields to eat the dropped ears. This, it was plain, seemed extravagant to the Russians.

Envy. There was obvious admiration among the Russians for the bounty of food that American farms produce.

In one particularly lush corn field, Petr Svechnikov, a Russian collective-farm chairman, said enviously: "Look at that corn—three, four and sometimes even five ears forming on one plant. I would like to have corn like that on my farm. We usually get only one ear to the stalk. We are lucky if two form."

After visiting the Alleman farm, Mr. Svechnikov commented: "Ah, I wish my collective farm were close enough so that

(Continued on page 40)

IOWA HOG: ONE RUSSIAN WISHED HE COULD TAKE THEM HOME

IOWA CATTLE: VISITORS WONDERED HOW MUCH THEY BROUGHT

IOWA COMBINE: RUSSIANS ASKED, "WHERE ARE THE WORKERS?"

[continued]

WHAT THE RUSSIANS SAW

I could pack up these pigs and cattle and take them home with me."

At another farm, the Russians asked the owner, George Hora, how much he raises on his 160 acres near Washington, Ia. They were impressed when told that he had raised some 168,000 pounds of pork, 5,600 dozen eggs, 7,000 bushels of corn, 1,500 bushels of oats and 21 tons of hay last year.

Then, just like any capitalist farmer, the Russians asked Mr. Hora about his costs and his profits. In fact, they wanted to see his account books. Mr. Hora agreed, and the Russians pored eagerly over the records.

Money minded. Ideological controversies are, for the most part, studiously avoided in the discussions between the visiting Russians and their American hosts. But the visitors' open interest in U. S. farm incomes provoked this question: Were the Russians interested in the effect of the profit motive as well as the effect of technology on farming?

"We are looking at crops in terms of income," replied V. V. Matskevich, the Russian group leader.

One American asked if Mr. Matskevich didn't think that the opportunity for personal profit was a big factor in the excellent operation of a farm such as that of the Allemans.

"I think it is because Mr. Alleman is a good man and has a good helper [his wife]," answered Mr. Matskevich. "I think if he were a director of a machine-and-tractor station in our country he would do a good job on that, too."

Later, however, Mr. Matskevich indicated that the Soviets are injecting a certain amount of the profit motive into their own farming system. This came as he outlined measures taken in recent months to raise Soviet farm output.

In Russia, it was explained, the Government owns all farm land. But now, Mr. Matskevich said, farm workers are being offered special rewards for exceeding the production quotas assigned them by the Government.

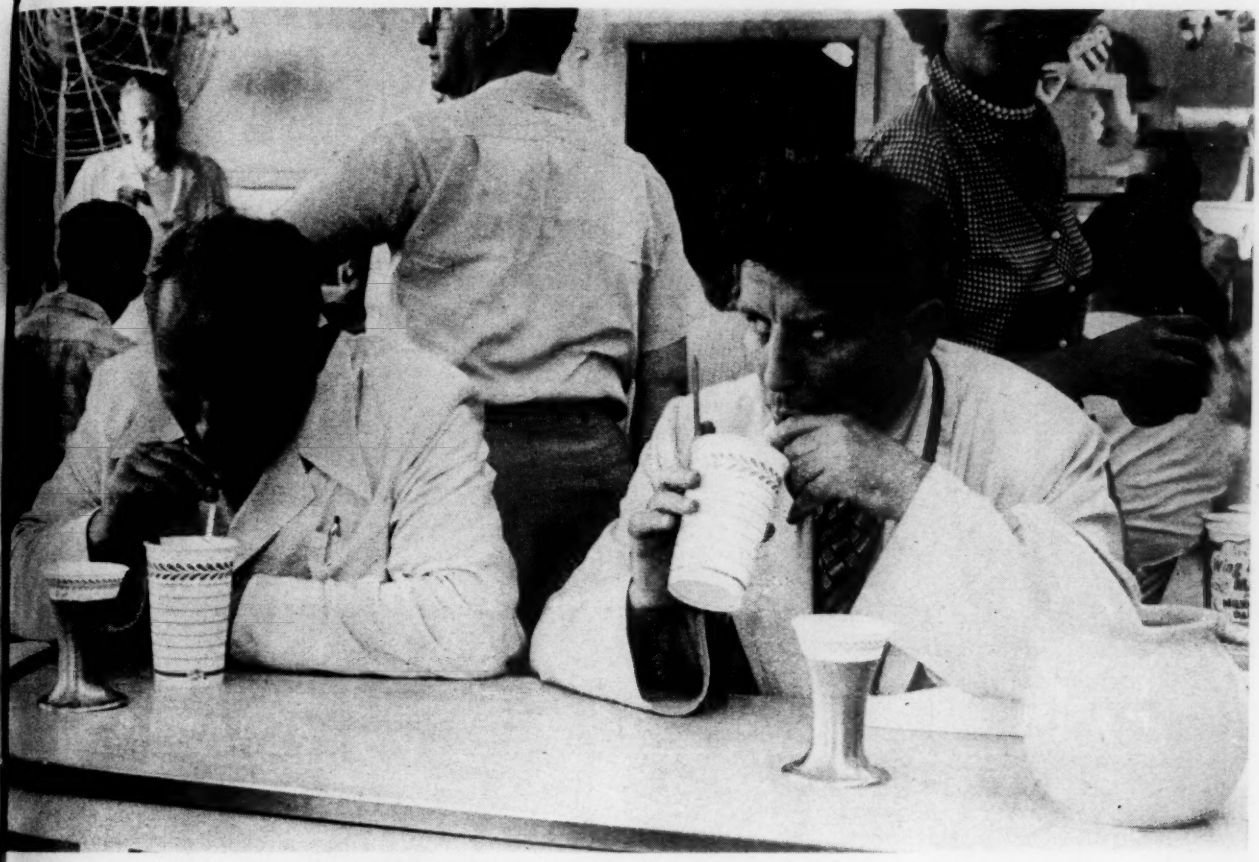
Surprises Americans. The air of amazement which pervades this strange tour of Communists among capitalist farmers is not all one-sided. The Americans, too, are amazed at the Russians.

American farmers, most of whom never saw a Russian before, are finding the visitors unexpectedly congenial. The Russians are plainly out to make friends wherever they go—and they are doing remarkably well at it. They talk readily, smile often, and show a keen sense of humor. And at times they are surpris-

(Continued on page 42)

OATS GET A PROFESSIONAL SCRUTINY

PHOTOGRAPHER CATCHES A PLAYFUL POSE



NOT ON THE SCHEDULE: A QUICK STOP FOR ICE CREAM SODAS

OVER THE FENCE . . .

. . . FOR A CLOSER LOOK AT A HAY RAKE

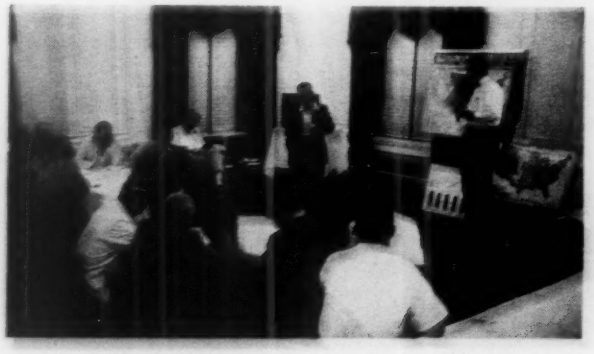
The Communist experts admired farm machines, but wondered if they were "wasteful"

[continued]

WHAT THE RUSSIANS SAW

"COOLING-OFF PERIOD": Mrs. R. L. Alleman pours lemonade for thirsty visitors

ON THE JOB: Jouncing behind tractor, two Soviet experts keep on taking notes



IN THE CLASSROOM: Iowa State College offered a briefing on free enterprise

"GOODBYE": Both Russian guests and American hosts had been in for some surprises

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"In our country [farm] labor productivity is lower. This is a problem that Mr. Khrushchev [Nikita S. Khrushchev, Kremlin leader] has put to us. We are taking a series of measures to solve that problem, such as increasing the individual's stake in higher productivity."

The Russians are passing up few opportunities to sample American life. In Iowa they ate—and praised—home-cooked farm meals. They sipped soft drinks and American highballs, spotted a "one-third off" sign in a store window and rushed in to buy straw hats. They remembered their hosts politely with gifts.

Sharp. The farmers they visited were impressed by the keenness of the questions that the Russians asked.

Some Iowa farmers, however, expressed the wish that more of the Russian visitors were real "dirt farmers" instead of officials. Although all of them have farm backgrounds, most are now away from the soil in official Government positions. The group leader, Mr. Matskevich, holds a position in Russia comparable to that of the U. S. Secretary of Agriculture.

The one Russian who made the biggest hit as a fellow farmer was Mr. Svechnikov, who is chairman of a collective farm.

Contrast. It was in a visit to Iowa State College that the difference between the American and the Russian viewpoints became most apparent.

The Russians were seeing the work of the State College in helping farmers improve production. The Russians showed great interest in the entire role played by the American Government in agriculture.

Their questions revealed, however, that the Russians never quite understood how Iowa State College could be free from supervision by Washington, or how the individual farmer could be left free to accept or ignore the advice he gets from a Government agency.

STYLES HAVE CHANGED IN DRY CLEANING, TOO!

If you have a dinner date tonight, or a party, and the suit you want to wear is soiled . . . don't worry about it, if you have as much as an hour or two. There's probably a quick-service cleaner nearby. And chances are he'll use Perchlorethylene—a relatively new and highly efficient solvent—to make your clothes clean as new in a jiffy.

Today, fast service cleaning is big business in America. The latest count is 4821 shops and the number is continually increasing. Modern living, with its larger wardrobes of light-colored clothes and improved ideas of cleanliness, has demanded this new industry. The ability of cleaners to furnish speedy service is dependent largely upon Perchlorethylene and on the cleaning equipment designed to handle this solvent.

Perchlorethylene saves you time, and it is kind to your clothes. The dry cleaner likes it too because it enables him to give you superservice, and because its nonflammable qualities enable him to secure more favorable locations for his shops.

Columbia-Southern® is a leading manufacturer of Perchlorethylene, as well as other chemical specialties derived from the basic production of chlorine and alkalies.

COLUMBIA-SOUTHERN CHEMICAL CORPORATION

SUBSIDIARY OF PITTSBURGH PLATE GLASS COMPANY

ONE GATEWAY CENTER · PITTSBURGH 22 · PENNSYLVANIA

CHLORINE, ALKALIES and RELATED PRODUCTS

OFFICES IN PRINCIPAL CITIES

IN CANADA: Standard Chemical Limited and its Commercial Chemicals Division

[continued]

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IN CANADA: Standard Chemical Limited and its Commercial Chemicals Division

Jet Rides—Sooner Than You Think

Commercial Lines May Offer Them By Late 1958

A new day is ahead for air travelers. Jet planes finally are being ordered by U. S. airlines.

Behind that decision: development of new U. S. jet transports; advances in techniques for jet operations.

This is a report on the coming revolution in air travel.

U. S. airlines are taking their first careful steps into a new era—that of the jet-powered aircraft.

Big orders for propellerless turbojet airliners are in the making. A modified type of jet, the turboprop transport, already is being operated by one U. S. airline, and other carriers are placing orders for these planes.

Air travelers, whose ranks are increasing every day, have a big stake in what is going on. Jet engines are to bring a new standard of comfort to commercial flying.

Take-offs will be smoother. Vibration and noise will be lessened. Fares will be the same as for piston-engine service or lower. Most important, jets will be faster. They will cut hours off long flights and bring new vacation spots within reach of millions.

At this stage of the shift-over to jets, here is the picture of what airlines are doing and planning to bring the new planes into service. Several recent developments have quickened airline activity in the jet field.

Turboprop liners. Capital Airlines' introduction of the Vickers Viscount on its Washington-to-Chicago run is one development. Capital is the first U. S. line to take the plunge into operation of jet-powered equipment.

Capital has ordered 60 Viscounts, which are British-made turboprop transports. This type of plane uses the exhaust or "jet" from turbine engines to turn propellers which move the plane along.

The Viscounts will carry 44 passengers at a speed of around 320 miles per hour. They have made a good showing in more than two years of use on short-hop European air routes, similar in length and operations to Capital's routes in the U. S.

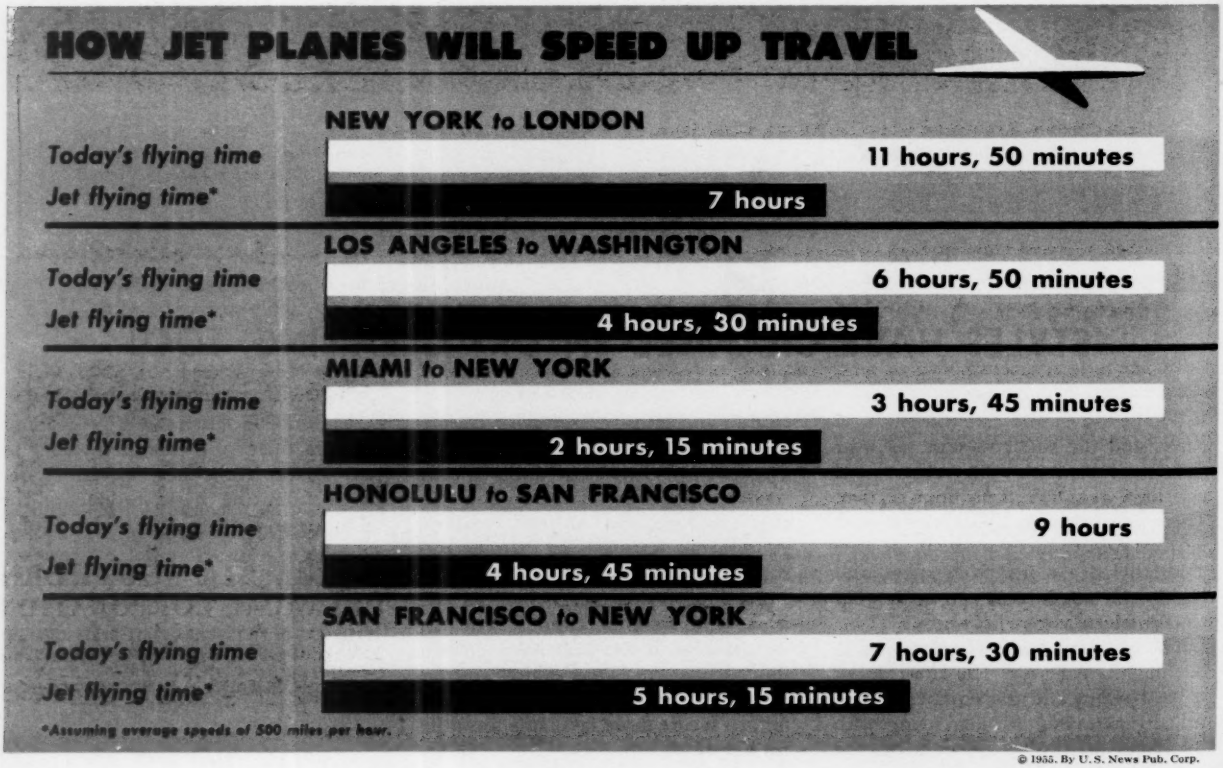
American Airlines, a competitor of Capital's on some Midwestern runs, recently ordered turboprop liners too. American's initial order is for 35 Electra transports, to be built by Lockheed Aircraft Corporation. Deliveries are to begin in mid-1958.

The Electra is to be larger and faster than the Viscount, seating about 64 passengers and cruising at around 400 miles per hour. It is designed to be a replacement on medium-length air routes for such piston-engine planes as the DC-6, made by Douglas Aircraft Company, and the Convair, made by Consolidated Vultee Aircraft Corporation.

National Airlines also plans to order turboprops soon. As part of a 95-million-dollar expansion program, National is considering an initial order of 12 Electras.

Eastern Air Lines, which competes with National, is dickering for some turboprop

(Continued on page 46)



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REO HELPS SPEEDWAY CUT OPERATING COSTS 20%!

Speedway's Executive Vice President, D. S. Sucher reports—"We've used almost all truck makes. Now over half the trucks in our fleet of 140 vehicles are Reos. Reo V-8's pull our 10,000 gallon units. We're now testing one with an 11,100 gallon double-bottom combination which will enable us to haul 1,100 extra gallons per trip."

World's toughest trucks with the wonder engines backed by 100,000 mile warranty!

Reo Gold Comet Engines develop a startling ½ horsepower per cu. in. displacement—up to 35% more efficient than industry average. No other engines deliver such responsive, usable horsepower to the wheels.

No other line has short stroke, wet sleeve construction throughout. And they're backed by a 100,000 mile warranty.

See what a Reo will do on your job today. Your Reo man will gladly arrange it.

REO MOTORS, INC.

SUBSIDIARY OF BOHN ALUMINUM AND BRASS CORPORATION

Reo Motors, Inc., Lansing 20, Mich. • Toronto, Ontario

REO
WORLD'S TOUGHEST TRUCK

TRUCKS, BUSES AND GOLD COMET ENGINES FOR ORIGINAL EQUIPMENT, INDUSTRIAL AND REPLACEMENT — LPG OR GAS

[continued]

JET RIDES—SOONER THAN YOU THINK

planes; so are many other air carriers. Behind the scenes, there is considerable jockeying for position on manufacturers' delivery lists.

Turbojets. Airlines also are getting set for turbojet airliners, which utilize the jet engines' exhaust as "thrust" to push the plane along. Many millions of dollars' worth of orders for these planes are in the offing.

These are to be the big, exceedingly fast planes used on blue-ribbon transcontinental and overseas routes. International prestige among nations, as well as valuable aviation markets, will go to the nation with the best pure jets.

So far the U. S. has lagged behind it was tied up, by Air Force direction, on tanker production.

A few days ago, however, the Air Force told Boeing it could go ahead with commercial jet-liner production. This action came a few days after the Russians had unveiled a big jet transport during a fly-over of new aircraft in Moscow.

American Airlines, United Air Lines and Pan American World Airways are considering orders for the Boeing plane. The 707 will carry from 75 to 130 passengers, depending on its use as a luxury liner or an air coach. It will cruise at about 550 miles an hour, be able to cross the Atlantic Ocean nonstop from London to New York in about seven hours.

—Boeing Airplane Co.

BOEING'S JET STRATOLINER
. . . 130 passengers at 550 miles per hour

Britain, and may be only even with or slightly behind Russia, when it comes to pure-jet airliners. But a new day is dawning.

The prototype of one American-made pure-jet airliner is making test flights now. It is Boeing Aircraft Company's 707, or Jet Stratoliner. The company spent 16 million dollars of its own funds to develop this airplane, which will be America's first entry in the commercial jet sweepstakes.

A tanker version was quickly bought by the Air Force in 1954. Last spring the Air Force said it expected to order, in all, 700 million dollars' worth of the KC-135s, as the tankers are called.

A number of airlines have long been interested in the "707" commercial Boeing plane. But Boeing has been unable to make promises as to delivery because

Another U. S. pure-jet airliner, the Douglas DC-8, is expected to be in the testing stage by late 1957. This plane, similar in general outward appearance to the Boeing jet, will have comparable characteristics. Speed will be around 550 miles per hour; passenger capacity, 130 persons; range, transocean.

National Airlines is one of many air carriers interested in the DC-8. It is said to be considering an order for six DC-8s for use on the highly competitive run between New York and Miami. As the chart on page 44 shows, jets of the DC-8 type will fly from Miami to New York in 2 hours and 15 minutes, about half the time required by today's planes.

Speed is lure. On the basis of past experience, when one airline gets a fast new plane its competitors have to follow suit or suffer declining business.

That's why the "jet era" in air travel is likely to spread rather quickly, once the first big jets get into service and prove their performance.

It probably will be late 1958 before any big pure jets are actually operating on a U. S. route. By 1960, however, United Air Lines, as just one example, hopes to have 20 jets in operation. Most U. S. travelers will still be using today's piston-engine planes, the world's best in speed, reliability and comfort. But, by 1965, most long-distance air travelers probably will ride jets.

Experience with jet bombers indicates the problems of integrating jet planes into commercial flying will not be as difficult as once feared.

Jets will be able to use the better of existing airports, such as Idlewild and Newark in the New York area; Chicago's new O'Hare Airport; and airports of Boston, San Francisco, Los Angeles, Miami, Kansas City and other cities. These are the terminals for the most heavily traveled long routes, and they will get the first service from the pure jets of the future.

Jets will be simpler to operate, once flying crews are trained, despite their greater speed. Boeing's 707 has 75 instruments on its cockpit panel, where a comparable piston-engine plane has 126. It has 45 switches, against 204 in the piston-engine plane, 24 warning lights instead of 114.

Also, jets will take off and land faster, will give passengers a more comfortable ride. They promise to make up in operating efficiencies for their high initial cost.

The first pure-jet airliners will cost from 5 and 6 million dollars, by present indications, or about three times as much as the most expensive piston-engine planes. But the jets will have high capacity and quick "turn-arounds." In effect, their speed will enable them to carry about twice as many passengers as the big piston-engine planes, in a given period.

Jets will bring some special problems. They will intensify the noise problem around airports and over cities. Stopping the speedy planes will be a problem. Reverse-thrust mechanisms are being tested, to use the jet engine's own power as a braking force.

No one doubts that ways will be found to solve those problems. Big jets offer, in the long run, more speed and economy in operation than big piston-engine planes. All signs suggest that U. S. airlines are about to start, cautiously but surely, to adapt the new planes for use on passenger routes.

Cadillac

Scene photographed in Christian Dior's Paris Salon expressly for Cadillac by Cecil Beaton.

Styling the Whole World Admires !

We doubt seriously that any other automotive design ever inspired such deep or such widespread admiration as that of the 1955 Cadillac.

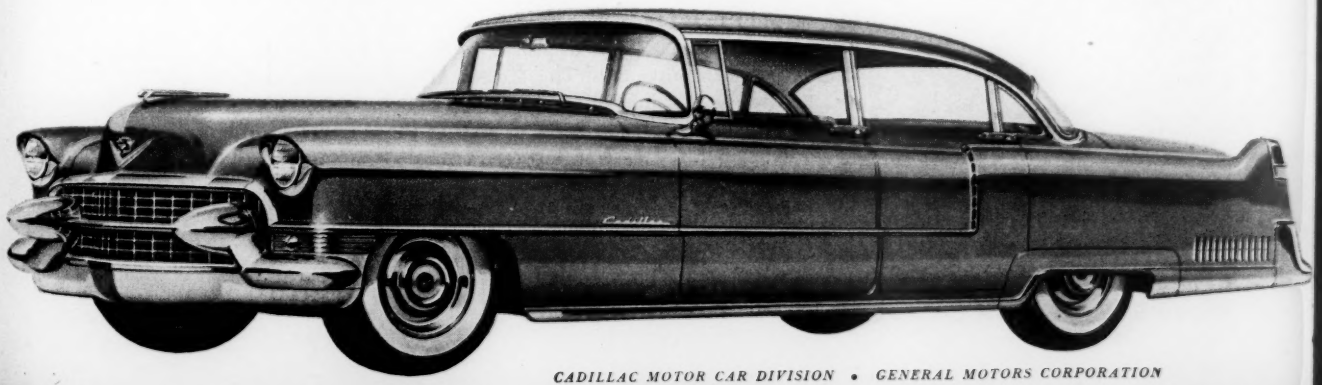
Let the car appear on any highway in the world—even among people who have never before seen its familiar silhouette or heard its famous name—and it will be recognized instantly as the "car of cars."

And, of course, the way a Cadillac *looks* is an authentic reflection of what a Cadillac *is* and *does*.

Its great beauty, for instance, faithfully foretells the deep feeling of satisfaction that comes to its owner every time he takes the wheel.

Its careful craftsmanship is clearly indicative of the car's dependability and economy of upkeep. And its graceful, scientific styling accurately reflects the car's smoothness of ride . . . with an absolute minimum of resistance from wind and road.

We suggest that you visit your Cadillac dealer today for a close personal inspection of this remarkable Cadillac styling . . . and to see what it means in terms of motoring pleasure and satisfaction.



CADILLAC MOTOR CAR DIVISION • GENERAL MOTORS CORPORATION

MAKING WOOD SERVE AMERICA BETTER THROUGH GOOD FOREST MANAGEMENT

GEO. S. LONG (1853-1930), one of the first forestry leaders to initiate planned timber harvesting and growing for continuous production. As Weyerhaeuser Timber Company's first general manager, his foresight led to management of timber as a crop on company lands. He also helped form cooperative associations for improved fire protection and forestry practices.

key to future forests...the tree-growing power of the land

Douglas fir tree farms are clear-cut in staggered patches. Seeds from trees left near-by soon reforest the harvested lands ...assuring a wood supply for the future.

Early in the present century, Geo. S. Long and other forestry leaders in America realized that the nation's future wood supply depended upon keeping forest land productive. Mr. Long, particularly, sensed the greatest assets of the forest industry as being the soil itself and the reproductive power of trees. Summarizing this concept, he said, "...we hope to so shape harvesting operations that they will bring about that ideal balance between forest reproduction and utilization which will make our industry as nearly perpetual as possible."

This vision and faith in both the future and stability of the nation's industrial forests by men such as Geo. S. Long led to the modern timber and land management practices forming the basis for today's nation-wide tree farm movement. The movement began with the dedication of America's first tree farm by Weyerhaeuser Timber Company in June, 1941. Today, all company forestlands, as well as those of 6,300 other private owners, are operated as tree farms...a total of about 35 million acres of tax-paying forestland dedicated to growing timber as a crop. *Write us at Box A, Tacoma, Washington for literature describing modern tree farming.*

Weyerhaeuser Timber Company

WEYERHAEUSER
4 SQUARE

UNIONS IN POLITICS—NEW TEST

Outcome May Affect Corporations, Too

A constitutional test is shaping up on the ban against the use of labor-union money in Senate and House election campaigns.

In the view of unions, the law violates their right to speak freely. The Justice Department says that if labor can spend money for campaigning, so can banks and corporations.

The case is to fix the rules for future political battles.

First steps now are being taken to determine how far unions and corporations may go in using radio and television programs to campaign for and against candidates for the Presidency and for Congress. They are part of an effort to spell out some of the campaign rules for big elections of the future.

Conceivably, the outcome could throw open many commercially sponsored programs on radio and television to campaign appeals. It could fill American homes with such a clamor for votes as has never been heard before. At least, that is the view of Justice Department officials.

The issue is arising in federal court in Detroit. There, the United Automobile Workers, CIO, is under indictment on charges of spending union funds to help elect Patrick V. McNamara, a Democrat, in his 1954 race for the United States Senate from Michigan. Former Senator Homer Ferguson was the Republican candidate. The Government charges that the union's use of its funds to pay for radio and television programs that supported the victorious Mr. McNamara violated the Corrupt Practices Act.

The Justice Department takes the view that labor unions are under the same compulsion as national banks and corporations not to turn their radio and television programs into a campaign platform for political candidates. The law applies the same language to each group. Thus, in the view of Government lawyers, if labor is free to urge the election of its candidates, so are corporations.

Politics with soap? This presents a picture in which scores of commercially sponsored programs on the air might enter freely into a political campaign. Soap-opera heroines might make campaign appeals to housewives. Plugs might be dropped into musical programs. And they might be paid for by the businesses sponsoring the programs.

The union does not deny that it supported Mr. McNamara. It contends, however, that it has a right to present the views of its members on regularly sponsored programs. It sponsors one television and two radio programs regularly on the Detroit stations.

Under the Corrupt Practices Act, which governs campaign spending, national **banks, corporations and labor** unions are forbidden from making "a contribution or expenditure" in connection with the races of candidates for federal offices. Labor contends that a ban which prevents its using press and radio facilities for presenting its views violates its right of free speech.

Walter P. Reuther, president of UAW and CIO, says the union welcomes a test of the constitutional right of a labor union to express its views on political issues through the purchase and use of radio and television time.

The union's view. Labor lawyers say that, in the Michigan campaign which resulted in the indictment, UAW did not spend any more money in supporting Mr. McNamara and other Democratic candidates than it would have spent for radio-TV if there had been no race.

Justice Department officials take the position that since the programs were used for a candidate, and cost money, that constitutes an "expenditure" in connection with a campaign.

It is this conflict of opinion that is bringing the showdown.

One test case, on a more narrow base, has been won by CIO. It arose in 1948 and involved an appeal to union members, printed in a union newspaper, to support CIO's favored candidates in a Maryland election. The Supreme Court held that this was not a misuse of union funds. The Court did not rule upon the constitutionality of the spending ban itself, which is being questioned in the new case.

In the background is a long struggle by Congress to lay down rules for campaign spending. From 1907 until 1943, national banks and corporations alone were forbidden to make contributions in campaigns for federal office. In the War Labor Disputes Act of 1943, labor also was forbidden to make contributions. In 1947, the law was tightened to include "expenditures" for candidates as well as contributions to them. The ban was applied to national banks, corporations and unions.

The real test of the laws is just beginning. It is designed to clear the way legally for action in future campaigns for the Presidency and other high offices.

—Harris & Ewing

UAW'S WALTER REUTHER
. . . a constitutional issue

—Harris & Ewing

SENATOR McNAMARA
. . . the UAW helped

Why U.S. Cuts Troops in Far East

Here's the Story Behind Latest Pullback From Asia

U. S., betting on peace, is planning to pull thousands of ground troops out of the Far East. Behind this move—

Local armies, backed by U. S. air and sea units, are believed strong enough now to hold in Korea, on Formosa. Infiltration, not attack, is expected in Indo-China. Odds are against big war.

This is an inside look, from Asia, at the latest U. S. gamble.

TOKYO

Top American policy makers now are taking a deliberate, calculated risk that neither Russia nor Communist China will, in the foreseeable future, chance war with America here in the Far East.

That, in effect, is the basis of a surprise U. S. decision to withdraw the equivalent of another Army division from this part of the world. There is just one full U. S. division left in Japan. The only remaining question is whether to send this whole division back to America or ship home an equal number of GI's who are engaged in maintaining vital U. S. bases in the Far East.

In the words of one U. S. general: "We can't afford to station enough divisions out here permanently to deal with every hypothetical situation. What we want is to keep the U. S. Navy and Air Force here at a high state of readiness, with enough ground-combat units readied for brush fires. With Communists pulling in their horns, this would seem like a good gamble right now."

This new withdrawal is to take place within the year ending next June. It follows a steady reduction of American ground forces in Asia from 8 Army and 1 Marine divisions at the height of the Korean war to a present level of 3 understrength Army divisions, 2 regimental combat teams and two thirds of a Marine division in all of the Far East.

Reasons. Behind the latest decision to cut U. S. Army strength is this military appraisal of Asia now:

- In Korea, the South Korean Army, backed by U. S. air and naval support, has become too strong to be overrun quickly by a Communist surprise attack.
- On Formosa, the Chinese Nationalist Army, with new equipment and supported by American air and naval power, certainly can hold the island. Only the offshore islands, which U. S. is not directly committed to help defend, are vulnerable.
- In Indo-China, Communist efforts to take over South Vietnam are considered more likely to be carried out by infiltration and political pressure than by overt military attack.
- If big war comes to Asia, the United States will be able to fight it in the early stages with Air Force and Navy air power still being maintained at Korean-war strengths, possibly using nuclear weapons—which would give time needed to mobilize whatever ground forces are needed.

The limit in cuts? Throughout Asia, thus, peace looks to defense planners like a good bet for the foreseeable future. Any further reduction of U. S. combat units, however, is being resisted by American commanders here in Japan, on the theory that much American deterrent power to Red aggression might then be lost. The concensus of Army thinking is that future cuts should come from support units, not combat units.

Americans now engaged in housekeeping and otner support activities, so this theory goes, could be sent home without radically reducing the combat effectiveness of units in the Far East. In Korea, for instance, there are only two combat divisions, but 65,000 Army personnel. Japan, with one and a third Army divisions, has 55,000 Army men. Okinawa, with one regimental combat team, has nearly 9,000 men. Japanese, Koreans and Okinawans, presumably, could be used in greater numbers at supply depots, maintenance bases and in transport functions.

What U. S. commanders here "in the field" fear most is a possible decision to withdraw all combat forces and abandon great logistical and troop-assembly bases already created in Japan. This step, they believe, would destroy the Pacific-island defense system.

They take a dim view of Okinawa as a troop base. That island, for example, has no industry capable of maintaining and servicing heavy vehicles, weapons and equipment, and no pool of highly skilled manpower such as is available in Japan. Okinawa, moreover, is difficult to supply. The port of Naha, although efficient, is very small. And there is a decided shortage of typhoon-proof quarters.

Airlift from U. S. Army leaders acknowledge that present bases in Japan might be kept intact and supplies including heavy weapons stored there,

—Photo Representatives

U. S. AIR BASE IN JAPAN
. . . no cutback in air strength

even if combat forces are withdrawn. In an emergency, then, fighting troops could be flown in from U. S. across the Pacific. But, as a practical matter, the recent **exchange by airlift of two** 3,500-man regimental combat teams between Japan and the U. S. in "Operation Gyroscope"—designed to test the feasibility of long-range troop airlift—strained the available strategic transport to the limit.

If Secretary of Defense Charles E. Wilson's announcement of the planned troop withdrawal was designed in part to shock the Japanese into a faster rearmament effort, it has been a failure in that regard so far. The Japanese Foreign Office is merely puzzled. Officials are saying that the U. S. should have consulted with the Japanese on the tim-

ing of the announcement and on an orderly plan for the Japanese to assume the full burden of ground defenses.

Officials of Japan's Defense Board—the equivalent of the U. S. Defense Department secretariat and the Joint Chiefs of Staff—have only faint hopes that the announcement will enable them to get more defense funds from Parliament. The national temper, they say, is still heavily against rearmament. These officials welcome the withdrawal plan only in that it will give them access to some better military bases, now used by Americans for training.

Japan's defense goal this year is a total of only 179,000 uniformed men in the Army, Air Force and Navy. The goal for 1960 is no more than 259,000, with an annual expenditure of 3 per cent of national income for defense. There is no manpower shortage. A few weeks ago, the Defense Board had 103,000 applicants for 24,000 vacancies. But the Japanese seem to prefer butter to guns and there is no Government in sight that will demand or enforce austerity in order to give Japan bigger defense forces.

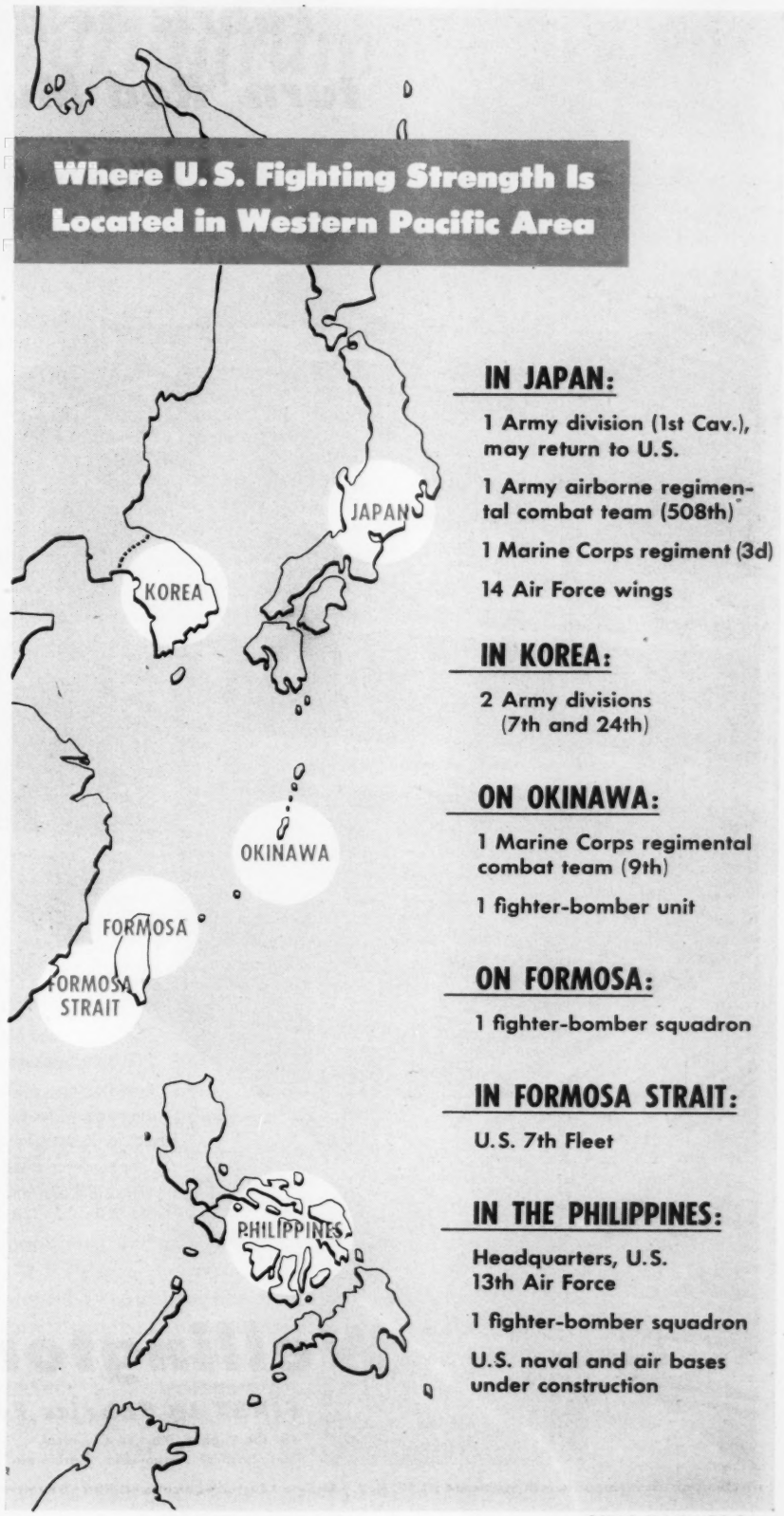
Dollars leave, too. Withdrawal of 17,000 Americans will hurt the Japanese economically at first. Unions already are protesting cutbacks in the labor force employed by the American armed services, and in the orders for industries providing military supplies.

The actual loss in dollar earnings from the planned withdrawal may reach 40 to 50 million dollars yearly. The U. S. attitude is that sooner or later the Japanese economy will have to stop leaning so heavily on American military spending. Most Japanese agree, but a cutback of this amount still will be hard to take.

Is U. S. planning to desert either Japan or the rest of Asia, by withdrawing most of its military forces from that area? Military planners say "No," that this fear, expressed by some in this area, is refuted by the facts. The Navy, for instance, is planning to spend 14 million dollars on base and housing construction in Japan. The Air Force intends to spend 42 million on installations in Japan, Okinawa, the Marianas and the Philippine Republic.

The Administration, moreover, has asked Congress for well over a billion dollars in defense support and direct military aid for U. S. allies in Asia.

The gamble. What U. S. is actually doing is taking a calculated risk that—by keeping its air and naval strength at a high pitch of readiness in the Far East—it can avoid an attack by Communists in this part of the world now and thus reduce its ground-force commitments. Whether that risk is well taken remains to be seen.



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Fabric helps Alcoa turn "Red Mud" into magic metal—

Aluminum at its versatile best—the Alcoa building in Pittsburgh.

Today, nearly everywhere you look you see aluminum. Behind this magic metal stand increasingly efficient production methods. In these, a new Wellington Sears fabric is playing a vital role. In the process of refining aluminum from bauxite at Alcoa's Bauxite, Ark. plant (shown at left), an insoluble "red mud"—iron, silicon, and titanium—is filtered out. Some aluminum, however, still remains in the "red mud" residue. But today Alcoa's modern methods of refining this one-time waste have remarkably increased aluminum output.

The process places heavy stress on the filtering fabric. The problem of developing a filter cloth that would stand up to strong caustics and provide easier "cake" discharge was given priority at Wellington Sears. We are proud that our specially developed fabric has been approved by Alcoa for commercial use.

In this way, for over a century, Wellington Sears has tried to blueprint fabrics for industrial progress. Whatever your need—from long-lasting fabric for conveyor systems to flexible backing for coated upholstery—if you would welcome a firm whose first concern is not the mark-up but the make-up of the goods, let's get together.

Write us for illustrated booklet on "Filter Fabric Facts."

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Worldgram®

FROM THE CAPITALS OF THE WORLD

GENEVA....BONN....SAIGON....CASABLANCA....BUENOS AIRES....

>> They may be fooled, but a good many people in Europe are now convinced that a new day is dawning. As they sum up the Geneva talks.....

U.S. and Soviet Russia really act like nations that wish to live in peace. Their top men, at Geneva, established a new pattern. Maybe it will last.

Peace talk is to be taken seriously. It's not just propaganda.

Soviet aggression no longer appears to be much of a danger.

World war is felt to be remote, improbable, perhaps even impossible.

This is Europe's reaction to a week of talks "at the summit."

Europe's diplomats are less optimistic. They see the big obstacles left untouched by Geneva. They detect no change in Soviet objectives. Yet even the diplomats are shedding their customary feeling of hopelessness.

The talking is to go on. Negotiations, even if long and difficult, offer a more palatable prospect than stony hostility and war. Europe welcomes the results of Geneva, such as they are, with a sigh of relief.

>> Ever since Winston Churchill first suggested these top-level talks, public opinion has warmed to the idea. Politicians have had to go along. Whatever the experts thought, the man in the street figured that, once you got the head men in one room, face to face, they'd find ways to settle their differences.

To people yearning for peace, Geneva offered this kind of encouragement: There was no name calling--no exchange of insults, none of the usual Soviet ranting about capitalists, imperialists, warmongers. The Soviet "No," in some cases, was softened to "Maybe." Soviet peace gestures came thick and fast. The Eisenhower-Zhukov meetings symbolized how East and West could get along.

>> Allied diplomats at Geneva haven't been swept off their feet by the new atmosphere between U.S. and Russia, but even the skeptics agree that Soviet leaders plainly want friendly relations with the West, especially with U.S.

The rub comes when you look at Allied and Soviet proposals for Germany, for arms limitations, for European security, and see how far apart they are.

Soviet concessions remain to be made. No real ones have yet appeared. Until they do, Allied leaders expect no substantial progress toward genuine peace.

>> On the key issue--Germany--Soviet leaders have yet to show their hand. They're apparently waiting for Chancellor Adenauer's visit to Moscow.

A tempting Soviet offer is to be expected. It will probably propose that East and West Germany be unified, all foreign troops withdrawn, free elections be permitted--provided Germany stays disarmed, neutral, with no ties to West. To millions of Germans it may seem like a fine idea.

(over)

Adenauer is counted on to reject any Soviet offer like this. He wants a unified Germany tied firmly to the West, with Allied troops staying indefinitely.

Hitch is that Adenauer's views are not shared by all Germans. He is ahead of public opinion in realizing the dangers in a neutral Germany.

Soviet game is to appeal to German opinion over Adenauer's head, knowing that Adenauer, nearing 80, will not be Chancellor very much longer. Moscow will wait and deal with Adenauer's successor, if it has to.

This is the strategy the Allies expect--and worry about, too.

>> Riots in Saigon and in Casablanca involve U.S., as well as France.

Casablanca riots show the temperature still rising in French North Africa, where U.S. has invested nearly half a billion dollars in strategic air bases. Continuing disorder in this area jeopardizes U.S. bases, planes and personnel.

Saigon riots, endangering American lives, raise the question: Who is responsible for this area--France, U.S. or South Vietnam?

>> Indications are that U.S., in Saigon, is about to be left holding the bag.

Just a year ago, at Geneva, French and Communists signed a truce to end the shooting in Indo-China. U.S. wasn't a signer, merely a bystander. South Vietnam wasn't a signer, either, since its Government was yet to be formed.

U.S. has helped South Vietnam with arms and economic aid. French troops have remained, though in reduced number, to help Premier Diem hold the fort.

Now France, with acute trouble in North Africa, needs troops there and is about to wash its hands of Vietnam, tell U.S.: "It's your baby, now."

Mobs in Saigon suggest Diem isn't always in full control of things.

Diem's army, even without French help, is outnumbered by Communist forces in North Vietnam. Diem, alone, would be a pushover for the Communists.

Question: When French troops leave, will Communists move in?

Next question: If they do, what will the U.S. do about it?

U.S. officials in Saigon wish they knew. As things stand, they can only hope that the peaceful mood of Geneva will restrain the Communists for a while.

>> In Buenos Aires, a bad case of jitters continues to keep the Government of President Juan D. Perón in something of an uproar.

Fear of revolt keeps officials awake nights.

Rumors, by the thousands, circulate in Buenos Aires and in neighboring capitals. Police alerts, called in response to rumors, create fresh alarms.

To show you how this situation has built up.....

An Argentine sailor, the other day, told the Governor of the Province of Buenos Aires that the Argentine Fleet, based at Puerto Belgrano, 300 miles south of Buenos Aires, had sailed off in open revolt, might soon attack Buenos Aires.

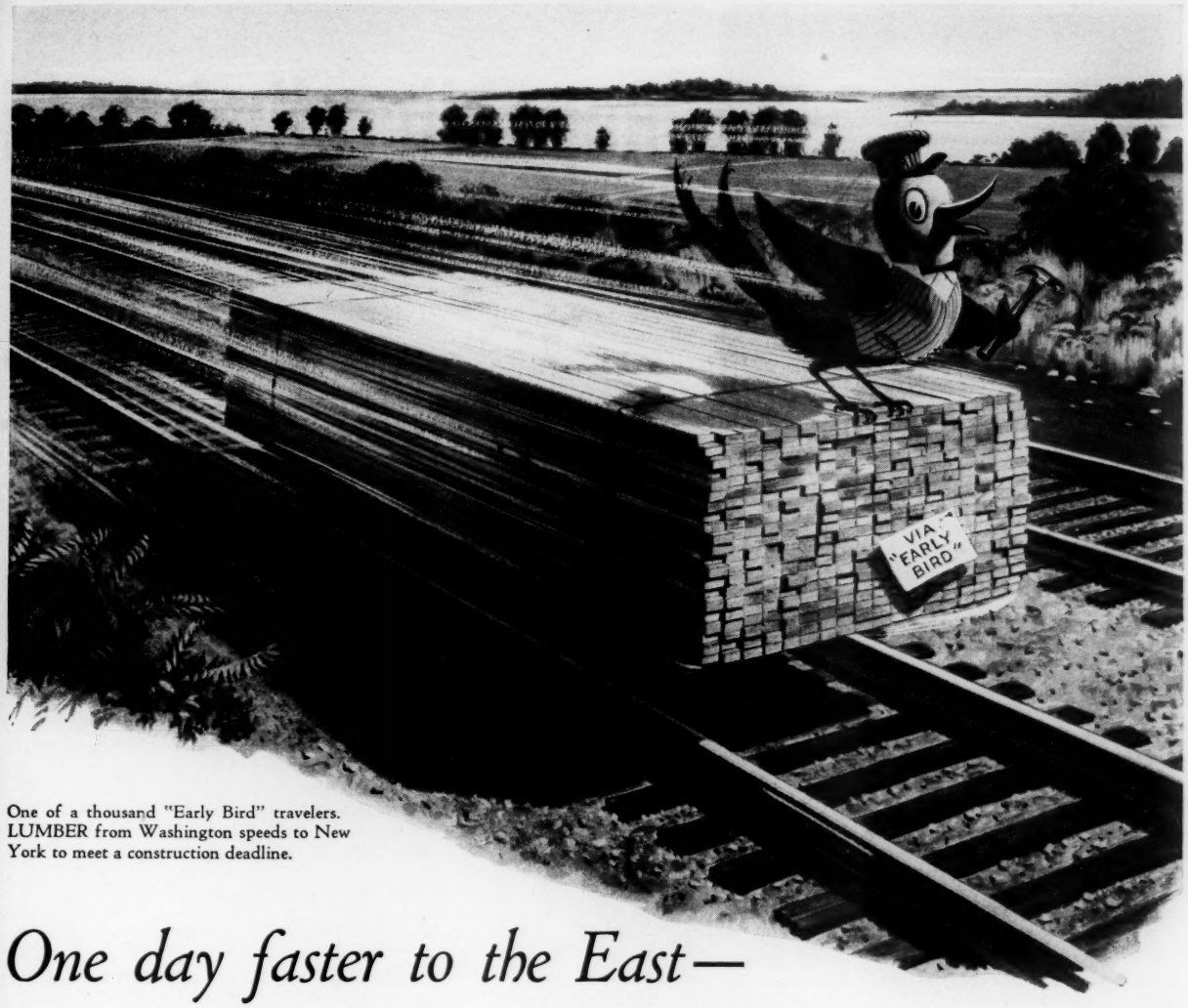
The Governor rushed to the phone, routed Perón out of bed.

A midnight huddle then took place between Perón and his top officials. Police were immediately alerted--then released from alert a few hours later.

The fleet, it was officially announced, was merely off on maneuvers.

>> Buenos Aires expects these jitters to continue while Perón and his military leaders work out new policies, ditch the old ones that no longer seem to work.

Perón, though shaky, is fast on his feet. Buenos Aires takes it for granted he'll stay on top a while longer. No successor is anywhere in sight.



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The "Early Birds," New York Central's new fleet of fast, through freight trains, make the run from Chicago to New York in as little as 22 hours.

Shippers and consignees are cutting distribution costs by routing freight via "Early Birds." Inventories and warehouse requirements are reduced. Merchandise turns over quicker. Less capital and interest is tied up in goods. Cost of insurance is lowered. There's less waste of perishable commodities. Shipments arrive in excellent condition.

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Join the swiftly growing, enthusiastic "Early Bird" users; profit by routing your next shipments via time-saving "Early Birds." Ask your nearest New York Central Freight Representative for a copy of the "Early Bird" timetable.

A few of the commodities recently shipped via "Early Bird" service

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Republic eliminated

...the success story of "INCH-MARKED"® E.M.T.

Once, all electrical conduit was standard-weight threaded pipe. But most of it was non-load bearing, merely serving as a protection for the wiring.

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Republic's Steel and Tubes Division came up with the answer. It was their exclusive patented process for cold forming steel into tubular form, then electric resistance welding. The resulting product had accurate dimensions making it suitable for a coupling that would eliminate threading.

That's how Republic introduced ELECTRUNITE® Electrical Metallic Tubing—"E.M.T." for short—which in turn resulted in the creation of an entirely new independent industry for manufacturing couplings, connectors and fittings for electrical metallic tubing.

ELECTRUNITE—meaning "ELECTRically UNITEd"—is the original lightweight rigid steel raceway. Its light wall makes it easy to handle, easy to bend. Because it is threadless, moisture-resistant connections are made with simple compression fittings. Instead of turning long lines, you simply tighten the fitting nut.

And because you have to pull wire through it, Republic knurled the tube's inner wall of the ½, ¾ and 1 inch sizes to reduce friction, make pulling easier.

Republic compiled and published a complete bending system and taught journeymen how to use it. Republic "Inch-Marked" the tube to speed measuring. And for accurate bending, coordinated the "Inch-Marks" with a handy bending tool. Then, Republic added a "Guide-Line" to help prevent out-of-line bends.

For service in excessively corrosive atmospheres, Republic now offers ELECTRUNITE E.M.T. with corrosion-resistant "Dekoron," a polyethylene plastic armor.

The result of all this is that "Inch-Marked"® ELECTRUNITE is easiest of all E.M.T. to install. Sales figures and trade acceptance prove it. ELECTRUNITE is tops in its field and is approved by the National Electrical Code for exposed, concealed and concrete installation. It carries the Underwriters' Laboratories' seal of inspection and meets ASA and Federal Specifications.

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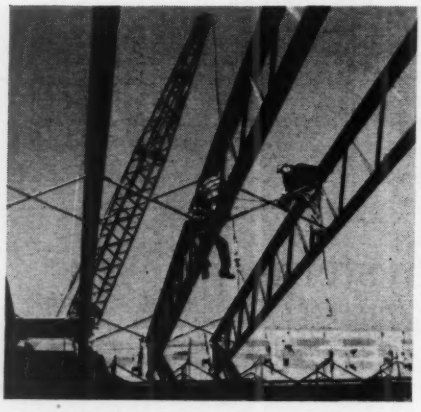
Today, stocks of Republic ELECTRUNITE E.M.T. are available through a nationwide network of electrical distributors. They are backed by the most aggressive sales-promotion program in the business.

* * * *

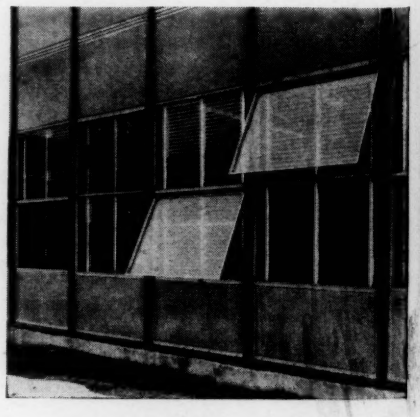
If you have building plans in mind, it's a good idea to talk with your architect, electrical engineer or electrical contractor about a modern grounded pull-in, pull-out raceway system based upon Republic ELECTRUNITE E.M.T. You'll have an economical, flexible wiring system which can adjust to meet future changing load conditions without costly building alterations.

MORE BUILDING PRODUCTS NEWS FROM REPUBLIC STEEL:



HERE'S A NEW TRUSCON CLERESPAN® LONGSPAN STEEL JOIST that's 96 feet long! Made by Republic's Truscon Steel Division, it provides complete freedom from supporting columns along its entire length, allows the passage of pipes, ducts and conduit through the open web. Fire-resistant ceilings of Truscon Metal Lath and plaster may be suspended from the underside of joists. Ask your architect, or write Republic.

VISION-VENT'S A WALL WITH A WINDOW. This exciting new building panel, developed by Republic's Truscon Steel Division, incorporates all the mass-production and installation economies of standard steel windows. It is designed to enclose entire walls. Each unit is complete, with fixed lights, ventilators, and insulated steel panels. Truscon window engineers will study your requirements, develop specific design details and costs.



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THE MAN ..Charles E. Wilson **THE NEWS** ..Arms-Policy Discord

–United Press

Top Man at Pentagon Makes Defense Cuts Stick

Basic disputes over defense policy swirl now about the head of Secretary Wilson. The big issue: Is there "overemphasis" on air? But the defense chief, with White House backing, is unmoved.

IN THE FACE OF CRITICISM, Charles E. Wilson, the Secretary of Defense, has worked out a military policy for the U. S. and is administering it in firm-handed fashion. At the Pentagon, Mr. Wilson, obviously high in President Eisenhower's confidence, is in clear command—the boss.

Mr. Wilson's policy emphasizes the deterrent effect of an Air Force capable of visiting a devastating thermonuclear blow upon Russia, if the latter should attack. He would cut back all the services except the Air Force, trim the Army the most heavily and, meanwhile, build up Reserve forces.

This plan makes the Secretary of Defense the target of much criticism, just now, in Congress and out. Gen. Matthew B. Ridgway, in retiring recently as Army Chief of Staff, wrote the Secretary a letter blisteringly critical of his policy. U. S. ground forces, he contended, were inadequate to meet U. S. commitments and effectively back "cold war" diplomacy.

Some members of Congress, including Senator Stuart Symington (Dem.), of Missouri, former Secretary of the Air Force, strongly supported General Ridgway's criticisms. At first, Mr. Wilson shrugged the Ridgway letter off as "unimportant."

Later, however, he had some detailed comment.

Annoyance in Congress. The Secretary also has been courting congressional displeasure by planning to cut the Marine Corps, which always has many supporters at the Capitol. Congress, in fact, recently provided for an increase in the Marines from 203,000 to 215,000 men, and appropriated 46 million dollars for the purpose. Mr. Wilson, however, simply impounded the money, said a new study would be made, and, meanwhile went ahead with plans for trimming the Marines to 193,000.

Some in Congress questioned his right to do so. He replied that his critics would be foolish if they thought he had not consulted the President and been told to go ahead. In all matters, he is in close touch with Mr. Eisenhower; he has one regular White House appointment weekly and often sees the President in between times.

Thus, U. S. military policy is, of course, the President's as well as his own. The basic criticism by General Ridgway and others is that it is out of balance; overemphasizes massive nuclear retaliation; ignores the fact that Russia is developing all phases of its military power, ground forces as well as air power, at a pell-mell clip.

Omissions? After mulling the Ridgway letter over for a time, Mr. Wilson came up with a reply. He thought the General had overlooked two factors. The first of these was Reserve forces.

The Secretary finds it difficult to understand why Congress seems reluctant to provide a Reserve law that is more to the Pentagon's liking. As things stand, over-all active forces of about 3 million men are supported by a Ready Reserve of 2.5 million. Of the latter number, however, only 800,000 are participating in weekly training programs.

Regardless of this, Mr. Wilson points out that there are millions of men in the country who have had military training or actual war experience. Even if these men are not properly trained, he says, "they could be regrouped or formed into effective Reserves pretty quickly." This factor, he thinks, was a key to the difference of opinion with General Ridgway.

General Ridgway's second oversight, he thinks, was the tremendous firepower that the Army now gets from its small, tactical atomic weapons. President Eisenhower has said that these are now "conventional" weapons.

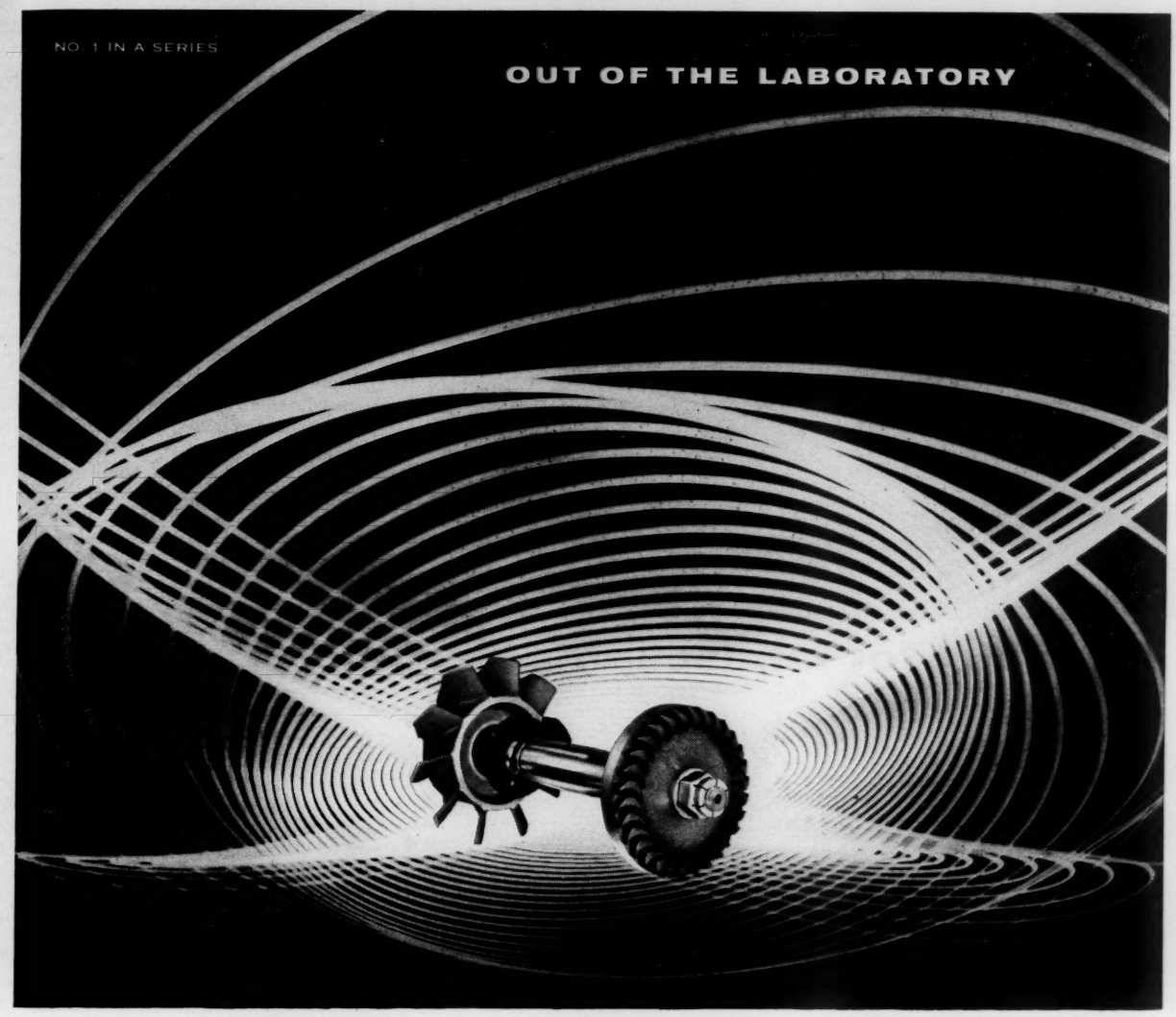
They should be thought of, Mr. Wilson says, as "high-powered artillery." There are atomic weapons for all, he says. The Air Force has its bombs, the Army its smaller weapons.

With General Ridgway now in retirement, Mr. Wilson is in a position to make his plans effective with greater unanimity among the Joint Chiefs of Staff, headed by Adm. Arthur W. Radford. General

(Continued on page 60)

–Harris & Ewing

SECRETARY WILSON WITH ADMIRAL RADFORD
. . . more harmony among the Joint Chiefs?



How to turn a volcano into a glacier in a split second! One of the best ways to cool hot molecules is to put them to work and simmer down the heat energy. Pictured above is the 6 inch long moving element in a midget cooling turbine that makes heat work harder and faster than anything previously developed in aircraft air conditioning. It drops temperatures hundreds of degrees in a hundredth of a second... actually cools down the volcanic heat of jet engine bleed air to the point where it can be used for air conditioning the airplane's cabin! It is another AiResearch contribution to industrial progress.

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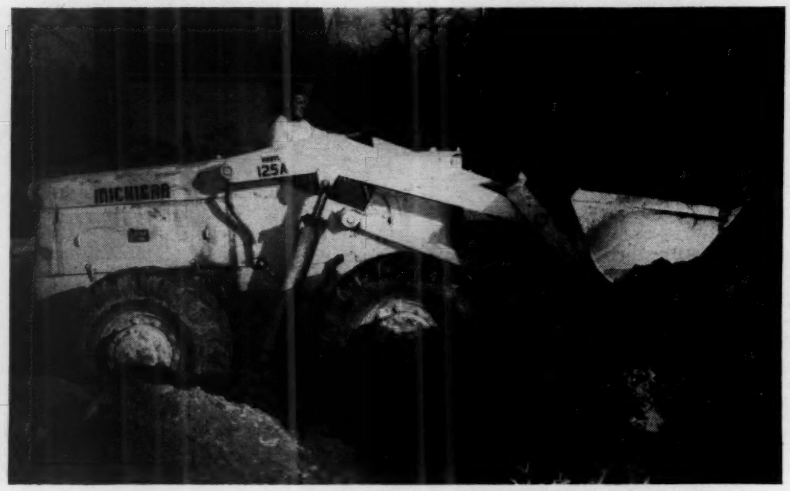
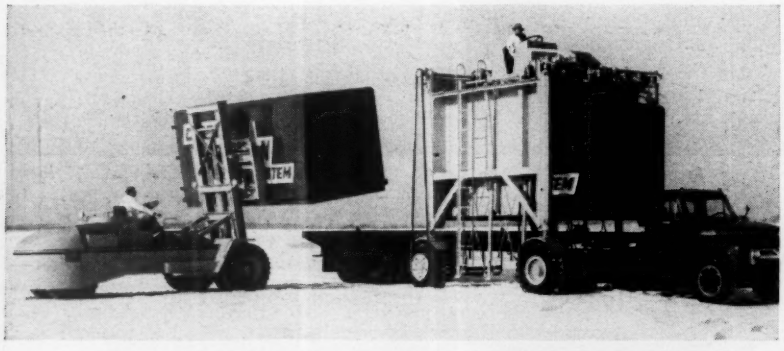
Clark Equipment moves mountains



. . . of dirt for landscaping

Time is money on construction jobs like this one in Hatboro, Pa. The operator of the MICHIGAN Tractor Shovel saves time getting there under his power—no "lowboy" trailer required. He saves time on the job because he can dig and load faster—the MICHIGAN is completely power-controlled: power braking, steering, shifting (no clutch pedal). With a MICHIGAN, every job is faster, more profitable.



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Teamwork puts a capacity-load of freight aboard this flatbed trailer in a matter of seconds! The Ross® Carrier and the Clark lift truck can be used together or interchangeably in loading "Mobilvans" onto trucks. The 20,000 lb. capacity vans are actually mobile warehouses; at the destination, they can be unloaded or simply set aside until their contents are needed. The new Mobilvan System is an example of Clark's leadership in the search for faster, cheaper ways to move materials.

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CLARK EQUIPMENT

Mr. Wilson is now set to "tighten" his Department . . .

Ridgway often opposed the projected Army cuts, or advised against projected actions in Asia because he thought the Army too weak.

General Ridgway has been succeeded by Gen. Maxwell D. Taylor, who wants a strong Army, too, points out that America's potential enemies are land powers and, in the event of trouble, must be defeated as close to the Communist periphery as possible. General Taylor, a man who does not recoil from new ideas, is expected to avoid open criticism of top military policy and to work in close concert with the other Chiefs of Staff.

Secretary's progress. In two and one half years as Secretary of Defense, Mr. Wilson feels that he has mastered the highly complex subject of military policy. He tells friends that his first two years were concerned chiefly with reorganization. Now he is ready to tighten up the Department and make it an example of "efficiency and service."

One of his biggest problems has been, and still is, getting the sort of people he prefers for top Pentagon jobs. Few industrialists are willing to make the financial sacrifice involved. And, when Mr. Wilson finds a man, it seems there usually is something in his background at which the Democrats would be likely to shoot. Mr. Wilson puts it this way:

"The only trouble is, I don't know anybody close to God who also has mechanical and financial experience."

Defense Department associates worry over his propensity for straightforward speech. They sometimes have briefed him for hours on some intricate situation, only to have him go to a meeting of the National Security Council, for example, and, when called upon for comment, brusquely urge a course of action without any accompanying comment.

Mr. Wilson has assured President Eisenhower that he will continue as Secretary of Defense to the end of the President's term. He feels more comfortable in the job now. In the early months, situations and plans sometimes went awry, ran into bureaucratic road blocks, lower-echelon resistance.

Now, however, he feels that he has things in hand, that orders get carried out expeditiously and without questioning. He has increased the Pentagon's number of high-level administrators and has been criticized for that by some, including the Hoover Commission on Organization of the Executive Branch of the Government. But Mr. Wilson feels that it works.

Relations with press. The Secretary's relations with the press have not been

. . . Secretary respects his critics, makes own decisions

uniformly happy. Newspapermen were highly critical of his order of last spring which they felt virtually shut off sources of information. Mr. Wilson's objective, approved by the President, was to stop leaks of information that might be considered helpful in Communist capitals. Information sources now are opening up again.

At first, Mr. Wilson was highly reluctant to meet the press, was nervous at press conferences. Now, he seems to enjoy the conferences, answers questions as they come in characteristically colloquial language, usually fully and frankly.

Mr. Wilson finds it hard to resist an anecdote or a wisecrack, a tendency that, in the past, has led him into politically inexpedient statements. He tries to guard against this, and also against straying outside the field of his Department.

Nevertheless he has been criticized for his recent announcement that the equivalent of one Army division would be withdrawn from the Far East in the next year. With the Geneva Conference about to meet, the critics felt the statement was badly timed, tended to detract from the strength of the U. S. position at Geneva.

Hard work, hard play. At 65, Mr. Wilson is in good physical health, prefers an active life. He likes sports. On July 4, he broke several ribs in an aquaplane spill. Now says: "I guess I'll have to learn to act my age."

The Secretary has been a hard, long-hours worker all his life. This was true through his rise from an 18-cents-an-hour apprentice at Westinghouse Electric, to the presidency of General Motors Corporation.

In Washington, he avoids the capital's social activities when he can, spends most of his waking hours at work on the intricate problems of defense. Now, in unchallenged command, getting his own way at the Pentagon, he feels he can go ahead rapidly with the defense policy so carefully worked out, that he will encounter a minimum of opposition within his own organization. He speaks respectfully to and of his critics, but makes it clear his decisions have been made.

He sees the possibility of a turning point in the cold war. Plans are based on the expectation of a long-range peace period, but Mr. Wilson is making sure that there will be adequate preparation, as he and the President see it, for any worsening of the international situation.

For the text of General Ridgway's letter criticizing U. S. defense policy, see page 70.

WHERE PROGRESS GOES SKY HIGH
St. Louis
A Great Place to Do Business
Major airline routes meet in St. Louis . . . where the nation's sixth ranking air terminal has realized a steady increase in air traffic since World War II. Last year the number of local air passengers increased to nearly 100,000; air mail handled was almost 6 million pounds; air express, close to 8 million pounds; air freight, over 10 million pounds. To keep pace, more than $15,000,000 is currently being spent on major construction projects at the Lambert - St. Louis Airport . . . St. Louis, nearest major city to the U. S. center of population, is at the center of activity in business.
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Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

A TAX BENEFIT INDUSTRY MAY LOSE

A debate is going on in Government that could result in higher taxes for businesses.

The argument is over whether to cut off a wartime tax benefit, still being granted to a long list of industries—railroads, steel, oil, chemicals, utilities, many others.

This article tells you what is involved and who would be affected most.

Tax rules that have saved many millions of dollars for business now are in jeopardy.

Special tax reductions, to encourage expansion of "defense related" industries, have been handed out by Government to thousands of companies since the Korean war began. These reductions still are being granted to the tune of hundreds of millions, though the shooting has long since stopped.

Companies are given certificates saying that a certain portion of a new plant or piece of equipment is essential to "defense." The cost, to this extent, can then be deducted from taxable profits in five years, instead of being spread over 10 to 30 years in the usual manner.

A faster write-off means bigger deductions and lower taxes in the early years.

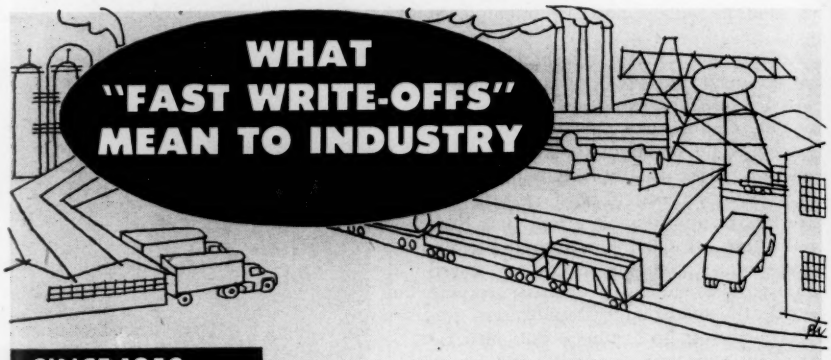
Now, a debate about cutting off this incentive, in all but a few exceptional cases, is going on in the Eisenhower Administration and in Congress.

The Treasury, with the backing of some Congressmen, wants the wartime scheme greatly restricted. This would not affect tax savings already granted to industry. But it would make it impossible for most industries to qualify for savings on new investments.

Other agencies, with backers in industry and Congress, favor continuing the special tax assistance. They say that ending it will result in fewer orders for new factories, freight cars, steel-making machinery and other industrial equipment.

That type of business spending has been a prop for the business boom.

How plan has worked. The subject of this argument, known technically as "rapid tax amortization," has been in



WHAT "FAST WRITE-OFFS" MEAN TO INDUSTRY

SINCE 1950

Under special rules to encourage "defense" expansion, industry has undertaken projects costing . . . . . $30.5 billion

OF THIS TOTAL

Government has authorized rapid, five-year write-offs, for tax purposes, on outlays of . . . . . $18.3 billion

RESULT: **Companies are allowed a postponement of income taxes totaling nearly $4.5 billion. This means tax cuts in early years as follows:**

1950	$ 7 million	1955	$882 million
1951	$113 million	1956	$796 million
1952	$308 million	1957	$605 million
1953	$593 million	1958	$351 million
1954	$747 million	1959	$ 70 million

BUT: **In later years, as write-offs are completed, these companies are supposed to make up for most of the cuts of the 1950s. They are scheduled to pay extra taxes as follows:**

1960	$181 million	1965-1969	About $1,700 million
1961	$319 million		
1962	$377 million	1970-1974	About $400 million
1963	$422 million		
1964	$435 million		

Source: 1950-64, Treasury Department; 1965-74, estimates by Economic Unit, USN&WR

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effect since early in the Korean war. As the chart on page 62 shows, the Government has given its blessing to 30.5 billions worth of "defense related" investments. It has authorized companies to deduct 18.3 billions of this from their taxable income in the first five years after the plants or machines come into use.

The iron and steel industry has gotten this Government backing for the largest amount of outlays. Iron and steel mills account for about 13 per cent of the 30.5-billion figure; iron mines account for 4 per cent.

Next-biggest beneficiary is the electric-power industry with nearly 15 per cent of the total.

Railroads account for nearly 14 per cent, mainly allowed on freight cars and locomotives, but also on improvements to routes and yards.

Chemical companies have about 3 billions worth of "defense related" projects or 10 per cent of the total. Oil producers have 7 per cent and oil pipelines nearly 4 per cent.

After these principal beneficiaries come the aircraft companies, aluminum producers, pulp and paper mills and manufacturers of nonelectrical machinery.

Savings of these and other industries are shown on the chart, based on Treasury estimates. For 1955, the saving comes to 882 millions. If the fast write-offs had not been granted, the budget might be this much closer to a balance, the Treasury feels. Thus, the public might be closer to a general tax cut.

In theory, the industries' savings are only temporary. After the five-year write-off, a company's big deductions end, and its tax bill goes up correspondingly.

However, taxpayers have found permanent advantages that make them continue to seek the write-off eagerly.

Where industry benefits. Some savings in taxes become permanent as a result of changes in tax rates.

The reason is that tax deductions mean most when tax rates are high and less when taxes are lowered. If there is a prospect that taxes will be cut, any taxpayer tries to get the greatest possible amount of tax deductions out of the way beforehand.

Fast write-offs have enabled many in industry to do just that. At the start, the excess-profits tax was in effect. Savings achieved then will never be paid back fully to the Treasury, now that the excess-profits tax is gone.

As a result, companies that took big deductions in those days are expected to have permanent tax savings amounting to several hundred million dollars.

Republican tax policy calls for further lowering of rates in the years ahead. If put into effect, this will give permanent savings to any company that takes big deductions today.

(Continued on page 64)

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. . . Fast tax write-off helps firms line up loans for expansion

On the other hand, if tax rates should be increased because of war or a change in Government policy, companies that took the fast write-off would become losers, rather than gainers. Apparently, businessmen consider this danger comparatively remote.

They find other advantages in the wartime scheme. If a company needs to borrow to build a new plant, the prospect of recapturing a big part of the investment in five years out of taxes makes it easier to line up a lender—and also makes it possible to repay a loan faster, at a saving in interest.

Finally, businessmen share the feeling that "a bird in the hand is worth two in the bush." They like the idea of having the use of the money for a period of years, when it would otherwise be paid over to the Treasury.

Who needs this help? Initially, the tax plan was to be used to get people to build plants for making weapons and other essential materials. When it was approved by Congress, there was a question whether the steel industry would expand as fast as the Government believed necessary. Tax write-offs were deemed important to get the producers to go ahead.

Secretary of the Treasury George M. Humphrey, who was in the iron and steel business in private life, says the companies probably would have expanded anyway without this incentive, though they would have been slower about it. Other industries, he feels, would also have made their investments without Government help as demand developed.

Mr. Humphrey says the fast write-off was justified in wartime when speed was essential and the outlook was uncertain. Under present conditions, he feels it is "an artificial stimulus of a dangerous type" which gives help to some companies and not to others.

Write-offs, in the future, should be limited to just a few strictly defense cases, the Treasury chief argues.

Other officials are fighting this attempt to crack down. Government transportation men, for instance, say the railroads will buy fewer cars if they aren't allowed to deduct 85 per cent of the cost over a five-year period.

Arthur S. Flemming, Mobilization Director, said his office was studying means of reducing the program, but added: "It will not be terminated."

Representative Wright Patman (Dem.), of Texas, is critical, because the Government has stopped giving this tax assistance to cement companies, except in New England. The Southwest, Mr. Patman claims, is experiencing a shortage of cement which might be eased if the Government would offer tax concessions to companies willing to build more plants in that part of the country.

Finally, it is said the tax stimulus helps keep business good. Against this is the argument of Mr. Humphrey and others that, when business is good, no stimulus is needed.

In cement and some other industries, officials in charge of the program have been tightening up gradually. During the Korean war, almost any important industry could qualify for a fast write-off on at least part of its investments.

Big deductions were allowed on cotton gins, warehouses, truck terminals, paper mills, woolen mills, plants turning out synthetic fibers and a long list of other products.

Even today, a company that is definitely in the defense business may not get as liberal treatment as a company in some more general line.

The Government recently allowed a fast write-off of 70 per cent of the cost of facilities for making special tools for military aircraft and 30 per cent of the cost of machinery for building aircraft engines. At the same time, it allowed 85 per cent of the cost of freight cars and 75 per cent of the cost of equipment for making aluminum and magnesium forgings.

Most of the 18.3 billion dollars approved for the fast write-off so far is on plants being used largely to meet civilian needs. Defense orders take only a small part of the output of most "defense related" industries.

More expansion planned. One industry after another now is coming up with new expansion plans, based on a growing peacetime market, and many new applications for the fast tax write-off are flowing into the Government.

The steel industry alone has applications, covering more than 450 millions' worth of new plants.

Railroads are placing heavier orders for freight cars and passenger equipment. Electric utilities see no end of their expansion in sight. Chemical companies are adding rapidly to capacity.

Many of the expanding concerns would like the Government to give them special tax treatment on some of this new investment. In many cases, the Government is agreeing, up to now. The dollar amount of applications approved this year is far larger than last year.

That is one reason why the Treasury is aroused. It sees no end of tax losses, unless a tighter set of rules can be worked out.

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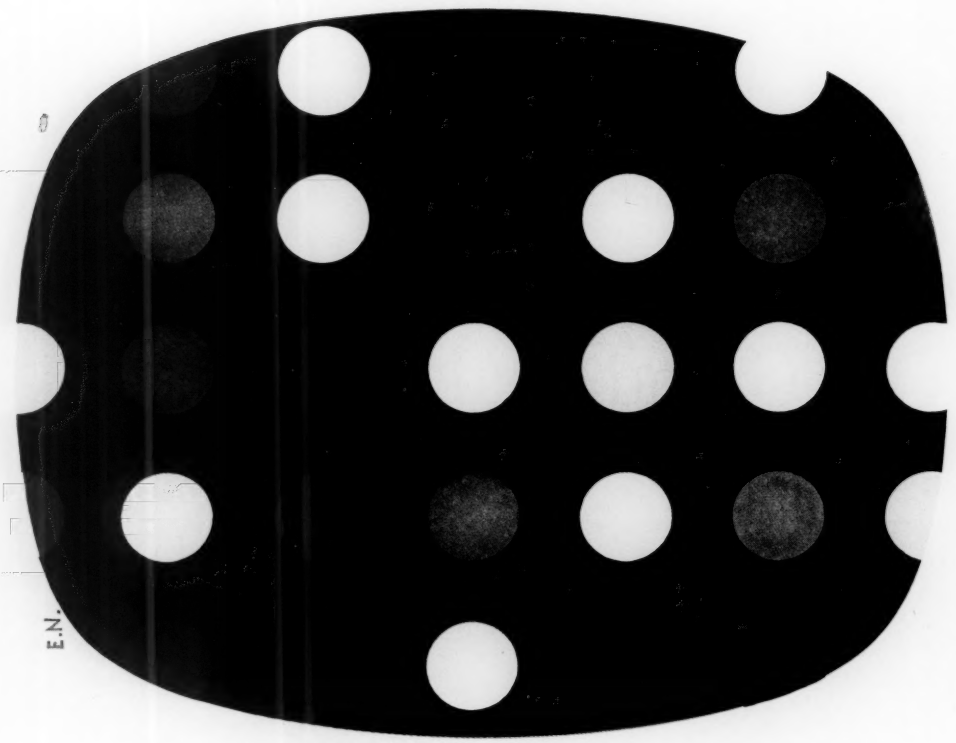

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News YOU Can Use ®

IN YOUR PERSONAL PLANNING

24th and N Streets, N.W.
Washington, D. C.

People who put their savings into highly speculative penny stocks in the hope of quick riches are about to get added protection from the Government.

CHEAP STOCKS. Thousands of investors, over the last year or two, have been buying penny shares--particularly in uranium and oil development--often with no real prospect of getting their money back, let alone a profit. Now, the Government is moving to crack down on firms floating "small issues"--issues not over $300,000. These issues generally have been exempt from Securities and Exchange Commission rules requiring full and detailed disclosure of facts.

Under new rules proposed by SEC, corporations seeking exemption for small stock issues will have to adhere to stricter standards. Also, their advertising of new issues will be limited to distribution of a routine offering circular. Issues floated for the benefit of promoters will be denied the exemption. And there's a proposal to restrict the sale of promoters' own shares for one year.

REFUNDS ON PENNY STOCKS. A corporation asking exemption for a small issue of stock in the future will have to provide for the return of funds to investors if at least 85 per cent of an offering is not sold out within six months of issue. There'll be no more of taking the cash, paying it out in salaries, and then perhaps going out of business when the issue fails.

CANADIAN ISSUES. A new rule is proposed by SEC specially to curb gold-brick peddlers from Canada, though U.S. issuers also will be affected. To be eligible for the $300,000 exemption from full disclosure, an issue will have to meet the rules of the State or the Canadian province of the issuing corporation. And, to be offered in the U.S., an issue will have to be offered simultaneously in the State or province of the issuer. Canadians no longer will be free to peddle in the U.S. worthless shares that are not eligible for sale in Canada.

LARGER PENSIONS. If you're self-employed and are thinking about retiring soon, you need to plan carefully to get the maximum Social Security pension. Remember--size of your pension will be determined by your average earnings. It may pay you to work a bit longer in order to raise that average.

Suppose, for example, you are self-employed and hope to retire in mid-1956 with a minimum of 18 months' coverage. If you earn, say, $350 a month during 1955 and the first half of 1956, your average earnings for the 18 months will be far less than you might expect. The $350 a month you earn in the first half of

(over)

1956 will be averaged over the whole year--or, as an alternative, used in a special formula for the self-employed who retire at midyear.

That would qualify you for a pension of $97 a month. By working six months longer, you could raise your earnings average to $350, qualify for a pension of $108.50. For details, check your local Social Security office.

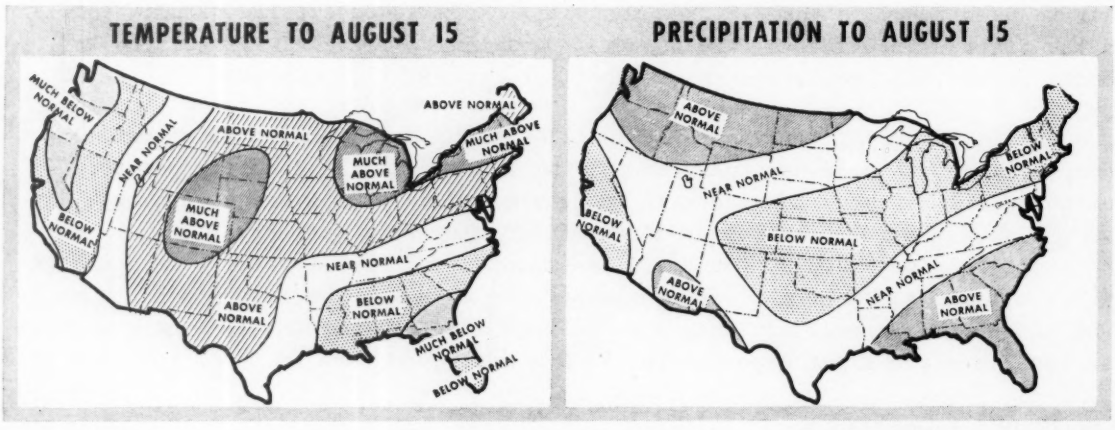
DRAWING WILLS. Despite its importance, one person out of two fails to draw a will. Wives, especially, are uninterested or confused about the role of a will in settling an estate according to wishes of the owner. Most wives show little knowledge of dower and other rights that must be treated in a will if children and other heirs are to be cared for as intended.

These conclusions are from a study prepared by Teachers College of Columbia University. The College polled about 62,000 of the alumni of Columbia's professional schools. Of 45,000 men and women who answered the poll, nearly 22,000 said they had not drawn a will, including 25 per cent of the lawyers. Teachers, journalists and pharmacists were even more inclined than lawyers to ignore need for a will.

PRICES OF FARMS. Steady prices for farm land in last half of 1955 are expected by most real estate men. So reports the National Association of Real Estate Boards on the basis of a recent survey. Real estate boards in 217 areas participated. Sixty-four per cent of the boards expected present prices to continue; 23 per cent were set for a price drop on farm acreage; 13 per cent looked for higher prices. The survey also found that desirable residential and industrial land near cities is increasingly scarce, with prices steady to rising.

PICNIC IDEA. For picnic lunches, try making sandwiches with frozen bread. Makes spreading easier, helps keep the lettuce crisp, reduces risk of food spoilage in hot weather, say the food specialists of U.S. Department of Agriculture. When frozen slices thaw, they have the characteristics of fresh bread. A frozen loaf thaws in 3 to 4 hours at room temperature. Individual slices separate readily when taken from the freezer, thaw more quickly.

WEATHER OUTLOOK. Continued hot, dry weather in the Midwest, with rain and cooler temperatures in the Southeast, features the long-range trends as shown by this latest 30-day-outlook map from the U.S. Weather Bureau:



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Strategy Dispute at Top—

WHAT GEN. RIDGWAY FINDS WRONG WITH U.S. DEFENSES

Top-level controversy over U. S. defense policies has been touched off by the parting advice of a retiring military chief.

Gen. Matthew B. Ridgway pleaded for stronger ground forces in being, and against "overemphasis" on air power—points that are challenged by Defense Secretary Wilson. **(See page 58 for Mr. Wilson's views.)**

The Army's No. 1 General also warned:

• The time of biggest danger will come between 1958 and 1962, when Communists may be able to inflict critical damage on U. S.

• Defense will suffer if too much reliance is placed on nuclear weapons. The destruction they cause is so great that nations may agree not to use them.

• U. S. must be ready to fight more "limited" wars, needs more mobile units.

General Ridgway has held three of the highest military jobs: Supreme Allied Commander in the Far East and in Europe, and U. S. Army Chief of Staff.

Following is full text of a letter addressed to Secretary of Defense Charles E. Wilson by Gen. M. B. Ridgway, retiring Chief of Staff of the U. S. Army, under date of June 27, 1955, which was released by the Department of Defense on July 15:

DEAR MR. SECRETARY:

I shall depart from the active ranks of the United States Army on 30 June 1955, thereby vacating the offices I currently hold. Having spent 38 years as a United States soldier on active service around the world, I trust I may be permitted, as I terminate this service, to summarize for you certain of my concepts concerning the security and well-being of the United States, all of which I have expressed, in one form or another and from time to time, as Chief of Staff, United States Army, and as a member of the Joint Chiefs of Staff.

I do so within the statutory provisions of the National Security Act, as amended, which delineate my functions as a military advisor to you, the National Security Council, and the President.

I do so with full awareness of the quickening tempo of international intercourse; of the growing realization among all peoples of what the President brought into such clear focus when he said: ". . . it seems clear that there is no longer any alternative to peace . . ."; of the fateful developments which may have their genesis in the conferences which, beginning in New York and San Francisco, are to continue later in Geneva.

I am mindful of the great responsibilities that continue to devolve upon you as the President's principal assistant for national defense. I would be neglecting my duty if I did not reaffirm prior to my departure my convictions regarding the military defense of the United States. I wish to comment on the general nature of the Soviet threat, the variable strategy permissible to the USSR for general war, the specific United States commitments in reaction to the Soviet threat, the United States strategy to meet these commitments, and a viable United States military strategy for "cold war" situations. Finally, I will discuss briefly my view of the role of a military advisor in the formulation of national policy.

GENERAL NATURE OF THE THREAT

In today's world-power climate, in spite of recurrent peace offensives, the scope and dimensions of the threat which faces America are measurable in terms of the fundamental attitude of hostility by the Soviet regime toward the Free World and especially toward the United States; in terms of the Communist capability for conducting political subversion throughout the world; and principally in terms of the strength of all major components of the continually expanding Soviet Bloc military power.

As a result of this continued increase in Soviet Bloc military strength unmatched by a comparable increase in allied strength, the United States and its Free World allies are faced by Communist armies, navies and air forces formidable in size, modern in materiel and techniques, and deployed threateningly along the periphery of the Iron and Bamboo Curtains from the North German Plain to the maritime provinces of eastern Siberia. The dangers inherent in this situation, and particularly the dangers in the preponderant deployment of land forces, are evident at every significant point of contact between the Western World and the Communist Bloc.

As long as the Soviet Communist Bloc is on the offensive, it is able to retain the initiative in its undertakings; and the centrality of its power base gives it the strategic advantage of being able to concentrate with small risk of detection at any point on its perimeter.

. . . Nuclear weapons alone not "sufficient to win a war"

In the nuclear arms race, the day of nuclear plenty for each of the two major world power groups draws nearer; the cost of fabrication drops; and hence the day when even smaller powers may likewise possess such weapons is already foreseeable. Common appreciation of the consequences of unlimited nuclear war may well result in general unwillingness to employ these weapons, in recognition of the mutual disaster which would follow wherein the peoples, property, and institutions of much of the world would vanish.

In a situation of nuclear plenty, mutual cancellation of nuclear advantage can occur in terms of mutual devastation; or, depending on the degree of parity, in terms of mutually limited use; or, finally, in common refusal to use nuclear weapons at all. It seems doubtful that the USSR would initiate employment of nuclear weapons in the face of a preponderance of nuclear weapons possessed by the United States. On the other hand, should the Western nations initiate their use, the USSR would have no choice but to respond in kind, in the hope that the resultant destruction to the West would circumscribe the ability of the United States to continue effective prosecution of such a war. In the light of this major possibility for the future, it is at least debatable whether the United States really has the freedom to rely preponderantly on nuclear weapons to exert its military power.

–USN&WR Photo

GENERAL RIDGWAY

Moreover, it appears prudent to assume that Soviet strategists are even now giving consideration to a course of action which would put on the United States the onus of initiating the use of military nuclear fire power, making certain that the United States and its allies know they can reasonably expect retaliation with nuclear weapons by the Soviets, simultaneously with the initial assaults of the Red Armies.

Under these conditions, since national objectives could not be realized solely by the possession of nuclear capabilities, no nation would regard nuclear capabilities alone as sufficient, either to prevent, or to win a war.

VARIABLE STRATEGY PERMISSIBLE TO THE USSR FOR GENERAL WAR

A mere statistical evaluation of the ratio of military power potentials between the Soviet Bloc and the Free World is not sufficient to determine detailed Soviet general war strategy. Instead, Soviet military potentials would first have to be translated into Soviet minimum military capabilities, and thereafter into Soviet general war strategy. For a general war within the next ten years, the Soviets would have to gain their objectives of the defense of the USSR, the control of Eurasia, the severance of lines of communication between the United States and its Allies, and the reduction of the war-making power of the United States and Canada. The attainment of these objectives would have to be integrated in such a manner that the prizes the Soviets would hope to acquire would not be merely the pickings of a vast ash-heap of devastated animal life, or of a human race debilitated by the effects of radiation. On the contrary, the prize would have to be worth the effort expended and the chances taken to get them; that is, they would have to materially improve the power position and the extension of Soviet dominance.

The Soviet potentiality for gaining these prizes is based on Soviet Bloc military forces, which comprise large ground forces supported by integral tactical air forces, supplemented by air defense forces, and including a minor surface navy, a threatening submarine fleet, and a long-range air force growing in capability.

To use these forces in the attainment of Soviet war aims without modification to or retrenchment from their objectives, the Soviets would have to acknowledge conditions which over the next 10 years could vary from an extreme of clear United States nuclear superiority to full nuclear parity, with vast stockpiles of weapons and of delivery vehicles available to both sides.

Thus the greatest imponderable with respect to probable Soviet strategy concerns the Soviet capabilities and intentions with respect to the use of nuclear weapons. For all practical purposes, nuclear parity between the USSR and the United States will exist when the USSR achieves the ability to deliver critical damage to United States-Allied war-power sources with fusion weapons. In this situation, neither side will have a nuclear advantage, whether the lack of advantage is proven by mutual devastation or mutual withholding of use, or depending on the degree of parity, in terms of limited use. There is little reason to doubt that the USSR, like every other nation, would prefer to avoid the use of nuclear weapons. For these reasons, it is probable that as nuclear plenty is approached and as the relative advantage of United States nuclear superiority diminishes, Soviet strategy will be directed toward the creation of situations which will preclude the use of nuclear weapons on a worldwide basis.

The variable character which general war may assume over the next 10 years, then, makes the best Soviet strategy in each different circumstance the employment in their normal role of conventional Soviet ground forces, supported by the Soviet air force and the Soviet navy. Such a strategy is completely consistent with Soviet war objectives, with Soviet strategic doctrine, with Soviet military potentialities, and with the physical nature of the great land mass it occupies. There is no reasonable basis for expecting Soviet strategy necessarily to duplicate United States-Allied strategy, and thus to gamble on a capability of accomplishing, by a single means, an extremely formidable task. This task, even if successful in accomplishing the reduction of United States war-making power, would attain only one of the major Soviet war objectives. Again it seems logical to expect that all Soviet war objectives would be combined to form an integrated Soviet war aim.

I recognize that the foregoing position is not reflected in current United States strategy with respect to air power. I

. . . "U.S. forces are inadequate, improperly proportioned"

recognize that, since United States power centers are beyond the effective reach of the Soviet tactical ground-air team, the Soviets, too, have been forced to develop a strategic bombing arm. I am well aware of the requirement for a continuing evaluation of all elements of the Soviet potential. I am also well aware that, in planning for success in war, allowances must be made for special circumstances and unpredictable actions.

My carefully considered position, long advocated, is based realistically on military factors that are consistent with Russian and Soviet history, the tradition of the Soviet offensive-defensive, and the present Soviet military force structure and capabilities. Moreover, it is, I believe, consistent with the entire pattern of recorded military history to date, and, in the light of all human experience, will prove to be consistent with the pattern of the future. These factors must be accorded the full weight they demand by responsible United States planners both within and outside the military services.

UNITED STATES COMMITMENTS IN REACTION TO THE THREAT

In a world whose determination to combat the Communist menace waxes and wanes, the United States, by example, persuasion, pressure, inducements, assistance, and agreements, has established itself as the leader of Western resistance. The United States has sought and signed allies around the world. For purposes of the common defense, it has entered into numerous commitments, some vague and some specific, to take actions, to deploy forces, and to provide material support to Canada, 20 Latin American countries, Berlin, West Germany, Spain, Yugoslavia, 11 NATO nations, Libya, Ethiopia, Saudi Arabia, Iran, the two ANZUS nations, the additional six Manila Pact nations, Korea, Japan, the Republic of China, and to the United Nations organization.

No one knows when those ominous sight drafts may be presented for payment. No one can tell at this time the form or scope of performance these commitments may require of the United States. But they obviously may involve action by U. S. military forces in many different types of climate and terrain, such as the mountains of Greece and Korea or the jungles of Indochina.

UNITED STATES STRATEGY TO MEET COMMITMENTS

In general, the foregoing commitments express the intent of the United States:

a. To meet force with force.

b. To be prepared to meet and defeat limited aggression in small perimeter wars, whether or not nuclear weapons are used.

c. To be capable of defeating Soviet Bloc military forces if general war should occur, whether or not nuclear weapons are used, and in widely varying terrain and climates.

In my view, the present United States military forces are inadequate in strength and improperly proportioned to meet the above commitments, specific or implied, for the following reasons:

a. The Soviet Communist Bloc has created and is prosecuting a continuous state of conflict as a matter of national policy. They have shown the intention and capability to capitalize on subversion or on local war for military and political advantage in China, Greece, Czechoslovakia, Malaya, Korea, Indochina, and other places, in spite of the superior United States strength in long-range air forces, although this superiority has been obvious to the world since World War II. As the point in time approaches, possibly between 1958 and 1962, when Soviet nuclear weapon and delivery developments will give the Communist Bloc the capability of inflicting critical damage on the United States war-making potential, coupled with a concurrent improvement of Soviet air defense capability, the United States nuclear-air superiority will have lost most of its present significance.

b. The Free World military forces deployed around the perimeter, other than those in Western Europe, are in the position of being military detachments, which are not mutually supporting, which have little or no strategic mobility of their own and which are difficult to reinforce because of the lack of truly mobile and adequate military reserves.

c. Present United States military forces cannot support fully America's diplomacy. If military power is to support diplomacy effectively, it must be real and apparent to all concerned, and it must be capable of being applied promptly, selectively and with the degree of violence appropriate to the occasion.

d. While a "mobile ready force" element is provided for in published policy statements, the actual development of a mobile ready force must compete with increasingly emphasized continental defense, and with, in my opinion, overemphasized nuclear-air requirements; all of which are requirements related primarily to general war.

In view of the Free World's appreciable manpower superiority over the Communist Bloc and of the economic potential of the United States, it is my view that the Free World has ample resources to confront the Soviet Bloc enemy in whatever form of aggression the Soviets choose. The advantage of interior lines on the Communist side can and must be countered by the advantage of strategic mobility on the Free World side. In addition to properly deployed strength, mobile reinforcements are the only effective means of countering the threats growing out of the Soviet ability to concentrate at will, and the United States is the only source of mobile reserves at the present time.

It is my view that the commitments which the United States has pledged create a positive requirement for an immediately available mobile joint military force of hard hitting character in which the versatility of the whole is emphasized and the preponderance of any one part is de-emphasized.

VIABLE MILITARY STRATEGY FOR COLD WAR SITUATIONS

Currently, the means made available for supporting the United States military strategy for both cold and general war are limited. The present United States preoccupation with preparations for general war has limited the military means available for cold war to those which are essentially by-products or leftovers from the means available for general war.

A wide choice of military means, resulting from properly proportioned, modernized forces, is required to fill the present large gap in effective deterrence resulting from United States preoccupation with long-range bombers as the principal deterrent.

United States strategy, backed by adequate and proper military strength, should make full provision for the following:

a. Every physical action taken in furtherance of the basic United States military strategy should be taken

. . . "Satellite aggressions should be treated as local wars"

only after considering, individually and in sum, the probable psychological effects of the action on the USSR, United States nationals, United States allies, and neutral nations. Such actions should be designed to counter the Soviet policy of instilling fear with a United States policy of creating confidence.

b. A strong position of tangible Free World strength must be maintained. Continued United States adherence to the concept of collective security is fundamental to the maintenance of Free World strength; coalitions must stand shoulder to shoulder or suffer the danger of disintegration from within.

c. An increase in the readiness and strategic mobility of uncommitted United States and British Commonwealth forces is required to support the strategy, and availability of troops of other key nations for additional deployments in United States and United Kingdom transportation to areas where they are needed is an important aspect.

–United Press

ATOMIC BLAST

"There is little reason to doubt that the U.S.S.R. . . . would prefer to avoid the use of nuclear weapons"

d. Soviet satellite aggressions should be treated as limited or local wars until the aggressor is defeated or the United States and its allies are prepared for general war.

e. United States reaction to satellite aggression should not be conditioned by a fear of Soviet intervention or unduly prejudiced by a fear of possible maldeployments of United States forces. If sufficient forces are available from the outset such maldeployments could be readily and quickly rectified.

f. The satellite cordon should not be reduced by military force as long as its existence produces advantages for the Free World.

g. The United States should give all practicable assistance to our allies in their efforts to suppress Soviet-Communist-inspired civil disorders.

THE MORAL ASPECT

I should like to add a word on the importance of the moral factor in all human relationships, especially when preparing a strategy to protect America's security. Just as the ultimate and most deadly threat of Communism is the destruction of the religious and moral principles which, imperfectly as they may have been observed, yet have guided man to new heights of dignity and self-respect; in seeking to insure America's security, so also we find the same threat in the increasingly significant ignoring by our planners of the consequences of omitting the moral factor in considering the use of the immense destructive capability which now exists in the world. There is a responsibility on everyone of us to evaluate this moral factor, along with all the scientific and other practical factors in seeking solutions to these mammoth problems.

MY VIEW OF THE ROLE OF A MILITARY ADVISOR

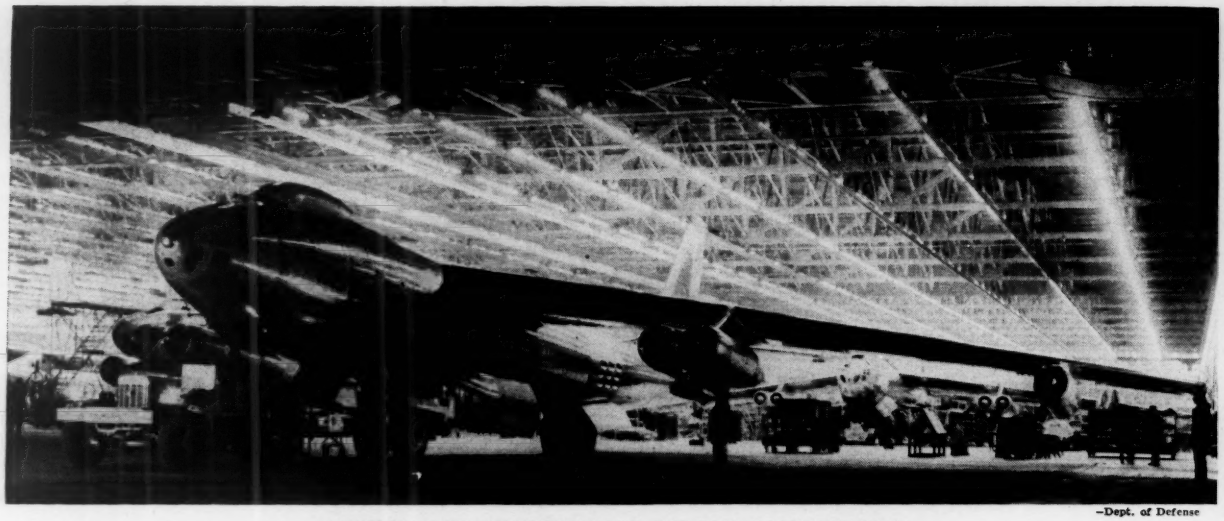
In the foregoing pages, I have sought to outline a broad concept of the strategy which, as I see it, is most likely to serve United States interests. In doing so, it has been my intention to discharge my responsibility as a military advisor, from within the field sanctioned by law. In the light of current national military policies, this responsibility is not always clear, even to those to whom the responsibility is assigned.

In closing, I should like, therefore, to outline my view of the proper role of the Chief of Staff, United States Army, as a military advisor.

In March 1953, while still Chairman of the JCS, General Bradley expressed one view of the Joint Chiefs of Staff role as military advisors: "Generally . . . we should confine our part to pointing out the military implications and military capabilities . . . Perhaps some people might feel that the Joint Chiefs of Staff should stand up and resolutely and strongly recommend a national policy which we would prefer, but to date I have not been convinced that this is a proper role for a military leader."

In his message transmitting Reorganization Plan Number 6 on 30 April 1953, President Eisenhower expressed the view that "Professional military leaders must not be thrust into the political arena to become the prey of partisan politics."

Earlier, in 1951, on 26 April to be exact, the Joint Chiefs of Staff were criticized publicly by Senator Robert A. Taft as being "absolutely under the control of the Administration", and that their recommendations were "what the Administration demands they make." During my period of duty as Chief of Staff, events have made it appear that the criticism once



—Dept. of Defense

AMERICAN JET BOMBERS ROLL OFF THE ASSEMBLY LINE
"The Soviets, too, have been forced to develop a strategic bombing arm"

leveled at my predecessors might be better grounded in the future than in the past.

National policy matters which are discussed at the level of the Joint Chiefs of Staff as military advisors to the President, National Security Council, and Secretary of Defense, are seldom, in this day and age, separable into purely military and nonmilitary problems.

I view the military advisory role of a member of the Joint Chiefs of Staff as follows: He should give his competent professional advice on the military aspects of the problems referred to him, based on his fearless, honest, objective estimate of the national interest, and regardless of administration policy at any particular time. He should confine his advice to the essentially military aspects. When testifying as Army Chief of Staff before the Subcommittee of the Committee on Appropriations in the Congress on 28 June 1947, General Eisenhower expressed the following attitude in support of this view:

> "I appear before you only as a professional soldier, to give you a soldier's advice regarding the national defense. I am not qualified to proceed beyond that field; and I do not intend to do so. It is my duty as Chief of Staff to tell you gentlemen what I believe to be necessary for national security."

If the military advisor's unrestricted advice is solicited he should give his considered opinion, for in today's climate national security planning is broad and encompasses many aspects. The President, in the message to which I referred earlier, has stated that the nation's military plans "must incorporate the most competent and considered thinking from every point of view—military, scientific, industrial, and economic." However, in my opinion, the military advisor should be neither expected nor required to give public endorsement to military courses of action against which he has previously recommended. His responsibility should be solely that of loyal vigorous execution of decisions by proper authority.

This aspect is perhaps the most difficult one for the military advisor, particularly as he strives to keep himself detached from domestic politics at the time domestic political forces attempt to use him for their own purpose. In his role of advisor, he gives his best advice. In his role as a commander, he implements decisions. Both roles must be respected by civilian officials, as he must respect theirs. In this regard, as the political climate shifts and changes, differing assessments will be made of his proper role; but whatever the situation, he must remain outside the field of partisan politics. It is incumbent upon civilian officials to see that he stays outside, and to protect him from becoming involved.

I am well aware that my remarks here and elsewhere may be taken, indeed, they have been so labeled, as special pleading for out-moded special interests. I have been pictured in some quarters as opposing emphasis on air power. The exact contrary is true. I am opposed to *overemphasis* on air power, as I am opposed to overemphasis on any military force where dependence on that force exceeds its capabilities, and impairs the nation's over-all military potential.

As Chief of Staff, United States Army, it has been my duty to advance the primary interests of United States security over and above Service interests. While disavowing any Army claim to an excess of national interest, I would specifically point to the Army's long experience, past success, and tested judgment in fighting the wars of the United States with all forms of military power.

The Army has no wish to scrap its previous experience in favor of unproven doctrine, or in order to accommodate enthusiastic theorists having little or no responsibility for the consequences of following the courses of action they advocate. While the Army is adapting itself readily to the employment of new weapons and new techniques, nothing currently available or foreseeable in war reduces the essentiality of mobile, powerful ground forces, the only forces which can seize the enemy's land and the people living thereon, and exercise control of both thereafter.

The United States Army has for 180 years served America's security. It will continue under new leadership its proud tradition of loyal and dependable service.

It has been my proud privilege to have been a member of that magnificent institution in the profession of arms—the United States Army.

Respectfully,
M. B. RIDGWAY
General, United States Army
Chief of Staff

A PAY RAISE FOR MILLIONS

$1 Minimum Will Push Other Wage Levels Up

Minimum-wage boost means more pay in a hurry for a lot of workers, a gain later for others. Raises will snowball into higher brackets. Labor costs will go up on a wide front. Prices may rise. First big effects will center on some regions, some industries. These can be told now. Studies show, too, what changes can be expected for the country as a whole.

When Congress last week voted to raise the minimum wage from 75 cents to $1 an hour, 2.1 million workers were virtually assured of pay increases averaging 13 cents an hour. The only possible hitch was a veto by President Eisenhower, and there was no reason to expect that.

Companies that employ these workers, at the same time, were handed an overall wage bill of 560 million dollars a year, above the wage bill they now are paying.

Those were the direct effects of the action by Congress.

But there were indirect effects that are expected to prove even more far-reaching. These indirect effects grow out of the custom in American industry of maintaining wage differentials between jobs. When pay levels are raised for workers in the lowest brackets, there customarily is an upward adjustment in wages paid to workers in higher brackets.

Workers now earning $1 an hour will not be satisfied when less-skilled workers below them are moved up to $1 from 75 cents. The $1.10-an-hour man will want a boost, too, and so will others on up the ladder.

Total cost in billions. These indirect effects, as estimated by the Economic Unit of *U. S. News & World Report*, are expected to run to 1.5 billion dollars a year. When the indirect cost is added to the 560-million-dollar direct wage cost, the total bill comes to an estimated 2.06 billion a year. This is about 1.2 per cent of the nation's wage bill for salaried workers and wage earners outside of agriculture and Government.

The Economic unit finds that most of the indirect raises are likely to come in the trade, service and construction industries. Small amounts are indicated for finance, insurance and real estate.

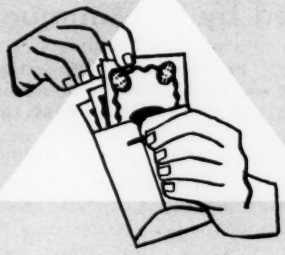
Pay rates for most workers in manufacturing, mining, transportation and utilities are found to be substantially above the $1 minimum and thus will not be affected much.

Widespreading effect. As the new floor under wages takes effect, there may be some spreading of the effects into other industries that are paying more than $1 an hour. For example, a plant that now is above the $1-an-hour rate may find that, to compete for labor, it has to increase some of its wage rates because nearby plants have handed out raises to workers in higher brackets as well as in the lower-pay jobs.

Farmers, too, are to feel the effects of the new rate, although their employes are not covered by the Wage-Hour Act. Farm laborers may move into the cities to get the higher wages provided under the raise favored by Congress. Farmers may have to increase the laborers' wages in order to keep them down on the farm—at a time when the prices of farm products are declining.

In terms of direct effects, a variety of industries will be forced to increase

(Continued on page 76)



WHAT HAPPENS WHEN MINIMUM WAGE GOES UP

	IN 1950 When minimum rose to 75 cents	NOW With minimum rising to $1
Workers covered	21,000,000	24,000,000
Workers getting pay raises	1,300,000	2,100,000
Average raise, per hour	10 cents	13 cents
TOTAL COST, direct wages	$260,000,000	$560,000,000

Source: BLS; 1950 wage cost estimated by Economic Unit, USN&WR

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(Advertisement)

N. S. S.

—or, nothing is simple in Scotland and Chivas Regal least of all

PERHAPS only a Scotsman can fully understand the history of his lovely land. For example, the word Scotland is simply a version of the old Latin name Scotia. But if, in Roman times, you took a ship for Scotia, you would have landed in Ireland.

If you are not daunted by that confusion, let us go on. In very ancient times Scotland was inhabited not by Scots but by Picts, who were rather on the tough side, according to the Romans. Gradually a large part of Scotland (then called Caledonia) was occupied by Gaels and Celts (then called Scots) from Ireland (then called Scotia). The Scots brought their name with them, and it stuck.

All that was long ago. During the centuries the Picts and Scots, with some Britons, Angles, and even a few Norsemen, were amalgamated into one patriotic and industrious nation. Many factors contributed to the blending of the Scottish peoples, but it is permissible to guess that one was the universal mellowing influence of the beverage which is Scotland's most famous export today.

Outstanding in grandeur among modern Scottish spirits is 12 year old Chivas Regal. The production of this whisky, like the history of Scotland itself, is far from simple. To create Chivas Regal, the choicest distillations are blended with consummate skill and endless patience to bring forth a uniform product of such mellowness, such noble flavor, that it has been known for generations as "Scotland's Prince of Whiskies."

There is, alas, one penalty of greatness. A whisky like Chivas Regal cannot be produced in sufficient quantity to meet the demands of all who would like to buy it. If your dealer or barman is sometimes out of Chivas Regal, please give him another call, because we are doing everything humanly possible to keep him supplied!

•

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A higher minimum wage may bring price increases—and it may also force some firms to close doors . . .

wages in order to meet the new standard of $1 an hour, which Congress wants to make effective next year.

The Labor Department reports that, of the 2.1 million workers now getting less than $1 an hour, 1.6 million are in manufacturing jobs. About 10 per cent of the nation's manufacturing workers would be in line for raises.

Where workers gain. The chart on this page gives a list of some of these industries where wages must be increased. For example, nearly 144,000 employes in Southern sawmills are reported to be getting less than $1 an hour. Average earnings, without overtime, are reported to be 86 cents an hour. For a boost in wages to at least $1, the wage cost to employers here would go up 18 per cent.

Plants making work clothing, the report adds, would need to increase wages of 67 per cent of their workers to meet the $1 minimum, a rise of 11 per cent in total wage bill. Straight-time pay here averages 96 cents.

A survey by the Bureau of Labor Statistics lists additional industries where many workers now are getting less than $1 an hour. These include tobacco stemming and redrying plants, where BLS says 78 per cent of the workers are paid less than $1 an hour; and fertilizer plants, with nearly 41 per cent under a dollar.

Among the other industries listed are: costume jewelry, with 37 per cent of its employes under $1 an hour; wooden containers, also 37 per cent; women's undergarments, 34 per cent; fur goods, 34 per cent; canning, 32 per cent; children's outerwear, 32 per cent; knitting mills, 30 per cent.

Raises are scheduled for 10 per cent or more of the workers in these additional fields, according to BLS: miscellaneous food preparations, vegetable and animal fats and oils, women's outerwear, household furniture, wood products, dairy products, grain-mill products, beverages and men's suits and coats.

Boost in prices? Price increases are likely to result in many of these lines, in order to finance the higher wages, economists believe. It is estimated that to offset the wage increase in Southern sawmills a price rise of 3.84 per cent would be needed. Similarly, prices would need to go up 1.86 per cent on work clothes; shirts for men and boys would rise 1.26 per cent; men's hosiery, 1.29 per cent.

Some businesses may not be able to raise prices enough to cover fully the added labor costs, however. With price competition increasing, some firms may close up shop, with workers losing their jobs. If a general business decline should develop, this trend would become more pronounced.

Some Industries Affected by $1 Minimum

	Number of workers in the industry	*Percentage of workers getting a raise to $1*	*Percentage increase in wage cost*
Southern lumber	171,000	84	18
Work clothing	66,000	67	11
Men's, boys' shirts	89,000	46	7
Men's seamless hosiery	32,000	45	6
Processed waste	6,000	41	5
Footwear	178,000	30	3
Candy, etc.	47,000	23	2
Jute goods	4,000	23	2
Full-fashioned hosiery	55,000	19	2
Cotton textiles	330,000	14	1
Cordage, twine	9,000	11	1
Structural-clay products	56,000	10	1
Converted paper products	189,000	10	1
Upholstery filling	6,000	9	1
Synthetic textiles	56,000	8	*
Woolen-worsted	100,000	2	*

*Less than 1 per cent

. . . 24 million workers get minimum-pay coverage

The South is expected to see a heavy proportion of the wage increases arising from the new minimum. Many of the low-wage industries are concentrated in the Southern States. In the region from Delaware south to Florida and west to Texas, it is estimated, 28.2 per cent of all production workers in manufacturing plants are getting less than a dollar an hour.

Northeastern States have 8 per cent of factory employes in the bracket under $1 an hour, while the Middle West has 4.1 per cent, and the Far West, 1.8 per cent.

Coverage unchanged. Congress, in voting for the $1 minimum—against Administration requests for a 90-cent floor—did not change the number of workers covered by the Wage-Hour Act. President Eisenhower had suggested that Congress consider extending coverage to other groups.

About half of the nation's wage and salary workers are not eligible for minimum-wage protection. Executives, supervisory employes, professional workers, farmers and the self-employed are excluded. Many are not covered because they are not in interstate commerce. Others are specifically excluded by Congress.

However, about 24 million workers are getting minimum-wage protection. Of these 15,448,000 are in manufacturing, but 683,000 factory workers are not covered.

In mining, 747,000 are subject to the $1 minimum, while 21,000 are not.

In construction, 614,000 workers are covered, 1,951,000 are not.

Most workers in wholesale trade are covered—1,693,000 to 846,000, but this situation is reversed for retail trade, where 230,000 are protected and 6,698,000 are not.

In finance, insurance and real estate, 1,048,000 are governed by the minimum-wage rules, with 744,000 not covered.

In transportation, communications and utilities, 3,441,000 are covered, 515,000 excluded.

In the service industries, 3,447,000 workers are not protected, while 741,000 are. In the service industries, agriculture, forestry and fisheries a preponderance of workers are not covered.

With so many now getting protection of the minimum wage, most people have forgotten that the Wage-Hour Act started in 1938 with a minimum wage of 25 cents an hour. A year later the rate went to 30 cents, and it moved up to 40 cents by 1945.

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NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN** hold a secret poll among your employes to determine their union sentiment without violating the ***Taft-Hartley Act.*** A court of appeals finds that such a poll of itself is not improper. The court notes, however, that the employer in the case in which this ruling was made explained that no action would be taken for or against the workers because of their union attitudes.

* * *

☑ **YOU CAN** probably export more ***cheese*** to Great Britain than you planned. The Agriculture Department reports that the British Board of Trade has liberalized its 1955-56 quotas.

* * *

☑ **YOU CAN** get a ***tax-free status*** for an organization that is formed to promote the business of a particular industry through a general advertising campaign. The Internal Revenue Service rules that such an organization is a tax-exempt business league.

* * *

☑ **YOU CAN** count on tax exemption for a nonprofit organization engaged in giving ***housing aid*** and advice to low-income groups. Internal Revenue Service decides that an organization of this kind qualifies for tax exemption as a civic league.

* * *

☑ **YOU CAN,** as an ***exporter,*** usually make shipments without providing proof of delivery. The Commerce Department's Bureau of Foreign Commerce announces that hereafter it will request delivery-verification documents only on a spot-check basis.

* * *

☑ **YOU CAN,** as operator of an ***air-taxi service,*** remain outside most of the regulations of the Civil Aeronautics Board until at least June, 1960. These exemptions from CAB rules are extended to that date.

☑ **YOU CAN,** in reinstating a veteran under the ***draft re-employment rules,*** put him on the night shift even though he formerly worked daytime hours. A court of appeals holds that this fulfills the requirement of the Selective Service Act that a returning veteran be re-employed in a "like status"—that is, in a job like the one he had before entering military service.

* * *

☒ **YOU CANNOT** always use as much of scarce materials as you may wish in manufacturing ***gas-turbine engines*** for military aircraft. The Department of Defense establishes a formula designed to limit the use of cobalt, nickel, chromium, columbium, molybdenum and tungsten in these engines.

* * *

☒ **YOU CANNOT** any longer make price-fixing arrangements with foreign competitors and count on an exemption from American antitrust laws. Terms of the Webb-Pomerene Act do not exempt firms engaged in foreign trade from these laws, the Federal Trade Commission now rules. This ruling reverses a policy that has stood for more than 30 years.

* * *

☒ **YOU CANNOT** be sure of exporting as much ***aluminum scrap*** in this quarter as in the last. The Bureau of Foreign Commerce makes a sharp cut in export quotas. The quotas for the third quarter will be 5,000 tons, a reduction of 4,000 tons from the second-quarter figure of 9,000 tons.

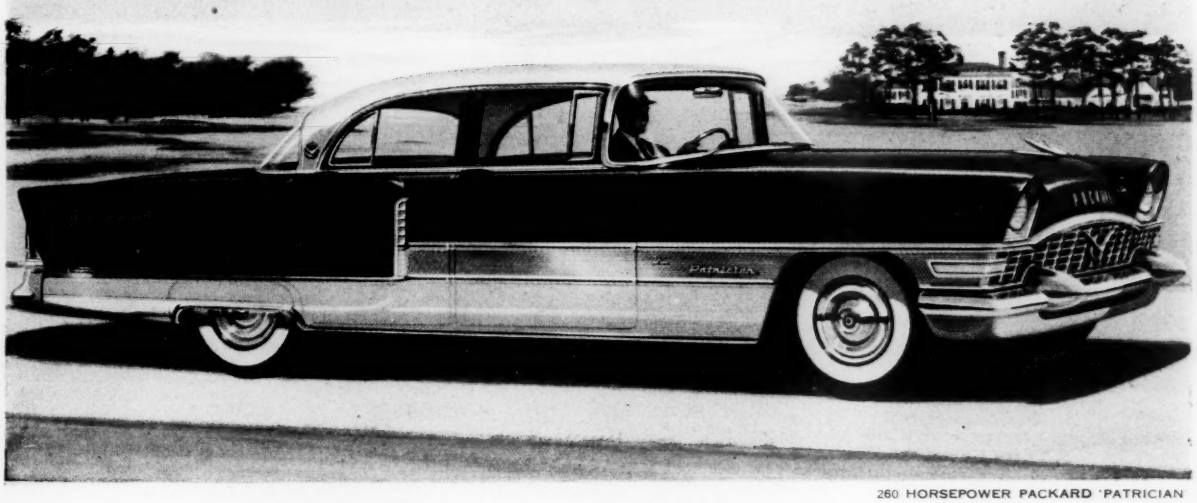
* * *

☒ **YOU CANNOT,** as manager of a ***housing project*** operated by an interstate insurance company, hope to escape jurisdiction of the National Labor Relations Board. The Board's General Counsel says that a complaint should be issued in an unfair-labor-practice case involving such a project.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government Bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

The New PACKARD

WITH TORSION-LEVEL RIDE



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The *new* Packard is a car proudly owned and proudly driven . . . we think that you, too, will be proud to own one.

"Ask the Man Who Owns One"

Take the Key and See

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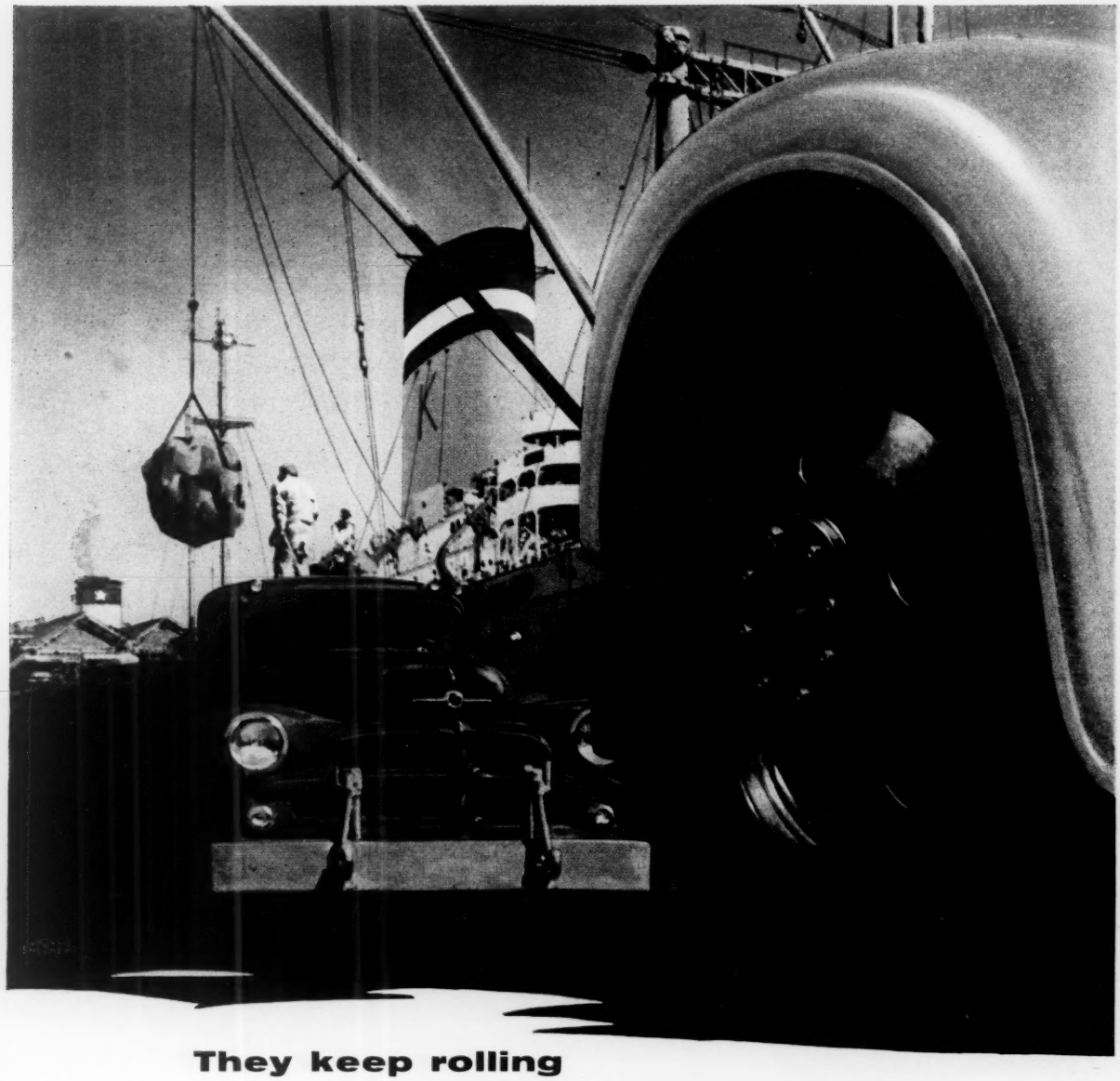

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We've Been Asked:

ABOUT NEW COURT RULINGS ON MIXING SCHOOLS

- **Where does school segregation stand, now that two federal courts have issued decrees on the subject?**
- **At least two Southern States plan no desegregation during coming school year after the judges allow time to work out this problem.**

Just what, exactly, have the courts told schools they must do in the two latest rulings on segregation?

Two federal district courts—in Virginia and South Carolina—have told school authorities that they must not refuse to admit any qualified Negro child because of his race. The language in the decrees of the two three-judge courts was identical in many respects.

How much time were the schools given to comply?

No specific time was set for carrying out the courts' orders. But both decrees did give the school officials time to make "necessary arrangements" for admitting children on a nondiscriminatory basis "with all deliberate speed as required by the decision of the Supreme Court." The court in Virginia said—and the South Carolina court implied—that integration need not be started with the new school term in September.

Does that mean an indefinite delay?

It does not. State officials and lawyers consider, however, that the decrees allow the schools to run on a segregated basis during the coming year, 1955-56.

Do these decrees apply everywhere?

No. The courts were dealing specifically with cases involving school authorities in Prince Edward County of Virginia and one school district of Clarendon County, South Carolina. Other school boards in these States and boards in other States are not directly affected by the orders. But the decrees could serve as patterns for courts in other cases. These Virginia and South Carolina counties were involved in the five original antisegregation cases before the Supreme Court.

What's the next step?

The courts expect the State and county authorities to take some definite action toward integration. These two cases still are "open" on the courts' dockets, with further action possible.

What if school authorities do nothing?

They could be held in contempt for failure to obey court orders, if it is shown that they did not act in good faith in complying with a nonsegregation decree. This might involve a fine or imprisonment for a school superintendent, a principal or a school-board member.

Does all of this mean that public schools are actually heading toward full integration?

Not necessarily. Some officials in Southern States, bitterly opposing mixed schools, are still talking of closing down all public schools if there is no way of getting around integration. One State's attorney general said the new federal-court decisions seem to put it up to States to decide whether they will operate integrated schools or abandon their public education systems altogether. The general feeling in the South, however, is that the new decrees give a "breathing spell" of perhaps a full year before the issue is forced to a final decision.

Must State laws be passed or amended to provide for integration?

After the two district courts had acted, officials of both Virginia and South Carolina said legislation would be needed to open the way for mixed schools. However, the Supreme Court has nullified all State laws that conflicted with establishment of integrated schools.

Didn't the Supreme Court settle all this integration issue once before?

Not finally. The High Court ruled that segregation in public schools was unconstitutional. But it sent the cases back to the lower federal courts, giving them wide power to adapt their rulings to conditions in their districts.

Further court action now seems likely before the integration question is settled, with this action centered largely in Southern States. Segregation already has been disappearing to a large degree in public schools in many places. But, since the two latest court decrees, it now appears to be certain that most schools in Southern States will operate on a segregated basis during the next school year.

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The One-eyed DOE

She always grazed near the ocean so she could keep her good eye toward the land for any sign of danger. But one day some sailors rowing by proved with a single bow-shot that danger comes from the direction you least expect it.

Which is something that any number of investors already know. Even with both eyes open, these experienced people realize they can still have a blind spot when it comes to their own stocks, their own portfolios.

That's why we think so many of them write to our Research Department once or twice a year, ask for an unbiased and up-to-date analysis of their investments—and get it.

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Department SA-32

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IKE'S PLAN FOR ARMS INSPECTION

Following is full text of the statement made by President Eisenhower to the Geneva Conference on July 21, 1955:

Mr. Chairman, gentlemen:

Disarmament is one of the most important subjects on our agenda. It is also extremely difficult. In recent years the scientists have discovered methods of making weapons many, many times more destructive of opposing armed forces—but also of homes and industries and lives—than ever known or even imagined before. These same scientific discoveries have made much more complex the problems of limitation and control and reduction of armament.

After our victory as Allies in World War II, my country rapidly disarmed. Within a few years our armament was at a very low level. Then events occurred beyond our borders which caused us to realize that we had disarmed too much. For our own security and to safeguard peace we needed greater strength. Therefore we proceeded to rearm and to associate with others in a partnership for peace and for mutual security.

The American people are determined to maintain and if necessary increase this armed strength for as long a period as is necessary to safeguard peace and to maintain our security.

But we know that a mutually dependable system for less armament on the part of all nations would be a better way to safeguard peace and to maintain our security.

It would ease the fears of war in the anxious hearts of people everywhere. It would lighten the burdens upon the backs of the people. It would make it possible for every nation, great and small, developed and less developed, to advance the standards of living of its people, to attain better food, and clothing, and shelter, more of education and larger enjoyment of life.

Therefore the U. S. Government is prepared to enter into a sound and reliable agreement making possible the reduction of armament. I have directed that an intensive and thorough study of this subject be made within our own Government. From these studies, which are continuing, a very important principle is emerging to which I referred in my opening statement on Monday.

Need for Mutual Checkup

No sound and reliable agreement can be made unless it is completely covered by an inspection and reporting system adequate to support every portion of the agreement.

The lessons of history teach us that disarmament agreements without adequate reciprocal inspection increase the dangers of war and do not brighten the prospects of peace.

Thus it is my view that the priority attention of our combined study of disarmament should be upon the subject of inspection and reporting.

Questions suggest themselves.

How effective an inspection system can be designed which would be mutually and reciprocally acceptable within our countries and the other nations of the world? How would such a system operate? What could it accomplish?

Is certainty against surprise aggression attainable by inspection? Could violations be discovered promptly and effectively counteracted?

We have not as yet been able to discover any scientific or other inspection method which would make certain of the elimination of nuclear weapons. So far as we are aware, no other nation has made such a discovery. Our study of this problem is continuing. We have not as yet been able to discover any accounting or other inspection method of being certain of the true budgetary facts of total expenditures for armament. Our study of this problem is continuing. We by no means exclude the possibility of finding useful checks in these fields.

As you can see from these statements, it is our impression that many past proposals of disarmament are more sweeping than can be insured by effective inspection.

Gentlemen, since I have been working on this memorandum to present to this Conference, I have been searching my heart and mind for something that I could say here that could convince everyone of the great sincerity of the United States in approaching this problem of disarmament.

I should address myself for a moment principally to the delegates from the Soviet Union, because our two great countries admittedly possess new and terrible weapons in quantities which do give rise in other parts of the world, or reciprocally, to the fears and dangers of surprise attack.

I propose, therefore, that we take a practical step, that we begin an arrangement, very quickly, as between ourselves—immediately. These steps would include:

To give to each other a complete blueprint of our military establishments, from beginning to end, from one end of our countries to the other, lay out the establishments and provide the blueprints to each other.

Next, to provide within our countries facilities for aerial photography to the other country—we to provide you the facilities within our country, ample facilities for aerial reconnaissance, where you can make all the pictures you choose and take them to your own country to study, you to provide exactly the same facilities for us and we to make these examinations, and by this step to convince the world that we are providing as between ourselves against the possibility of great surprise attack, thus lessening danger and relaxing tension.

Likewise we will make more easily attainable a comprehensive and effective system of inspection and disarmament, because what I propose, I assure you, would be but a beginning.

Now from my statements I believe you will anticipate my suggestion. It is that we instruct our representatives in the Subcommittee on Disarmament in discharge of their mandate from the United Nations to give priority effort to the study of inspection and reporting. Such a study could well include a step-by-step testing of inspection and reporting methods.

The United States is ready to proceed in the study and testing of a reliable system of inspections and reporting, and, when that system is proved, then to reduce armaments with all others to the extent that the system will provide assured results.

The successful working out of such a system would do much to develop the mutual confidence which will open wide the avenues of progress for all our peoples.

The quest for peace is the statesman's most exacting duty. Security of the nation entrusted to his care is his greatest responsibility. Practical progress to lasting peace is his fondest hope. Yet in pursuit of his hope he must not betray the trust placed in him as guardian of the people's security.

A sound peace—with security, justice, well-being, and freedom for the people of the world—can be achieved, but only by patiently and thoughtfully following a hard and sure and tested road.

HOW AERIAL INSPECTION WOULD WORK

Aerial scrutiny of military forces was suggested and explained by Col. Richard S. Leghorn in an exclusive article in *U.S. News & World Report* early this year.

Now President Eisenhower has proposed that U.S. planes photograph Russian bases, Russian planes photograph U.S. bases.

Mr. Eisenhower's suggestion, given in full text on the opposite page, was made to Soviet Premier Bulganin at Geneva.

Colonel Leghorn, in the Air Force Reserve, is an expert on aerial photography. He flew reconnaissance missions in World War II and was in the Office of Development Planning of the Air Force until 1953. Here is what he said, reprinted from the issue of January 28.

by Col. Richard S. Leghorn

It is well established that a system of free inspection is a necessary pre-condition to disarmament. The Baruch plan for inspection of atomic plants ran aground in 1947 on Soviet dependence upon its Iron Curtain, which turned out to be an untouchable foundation of Kremlin power. Since then, proposals for inspection have been sterile. Possibilities exist, however, in a new concept.

Nuclear bombs in a stockpile can hurt no one. They must be delivered, and the delivery system constitutes the other half of the threat to peace. The means of delivery which can do real harm in the foreseeable future can be observed from the air.

During the last war, the air reconnaissance group I commanded kept count of numbers and types of aircraft on active German bases in a wide area through daily or biweekly photographic missions flown four to seven miles up. This is to say nothing of the daily reporting service on anti-aircraft and artillery positions which we provided to the entire First Army, and our reporting on moving targets in the communications zone and sometimes on the sea, which we kept under observation from dawn to dusk. Although unarmed, our losses were lowest among air groups in Europe. When the weather was bad, we sometimes flew under it, but this reduced our coverage. Since that time, various electronic eyes supplement visual and photographic observation, and night and bad-weather reconnaissance is becoming remarkably perceptive.

The factors in this sort of operation remain basically the same today even though the details have altered. Through an aerial surveillance agency to the veto-less Assembly, the United Nations could operate just such a system today over the air installations of nuclear powers. Observations affecting the peace could be publicized.

A precedent for organizing such an agency to serve the U. N. has just been established. On January 13, the Organization of American States requested the United States, a member country, to furnish reconnaissance aircraft for observation of fighting in progress in Costa Rica.

The Assembly might first try to obtain a convention signed by all members which would extend in a new dimension the three or twelve mile sovereignty limitation on national waters. The lower the sovereignty limit, of course, the better. But even twelve miles would present no problem, as British production model aircraft have already been reported flying this high. Regardless of the sovereignty limit, it would be desirable to seek a provision in the convention where the U. N. agency could dispatch an aircraft below 1000 feet, on particular occasions.

How would the U. S. and USSR react to such proposals? We certainly should not object. The Soviets already know much about nuclear air targets in the U. S., through their agents in this country and through our magazines and newspapers. We know far less about targets in the USSR. We would have everything to gain from the operation of such a system.

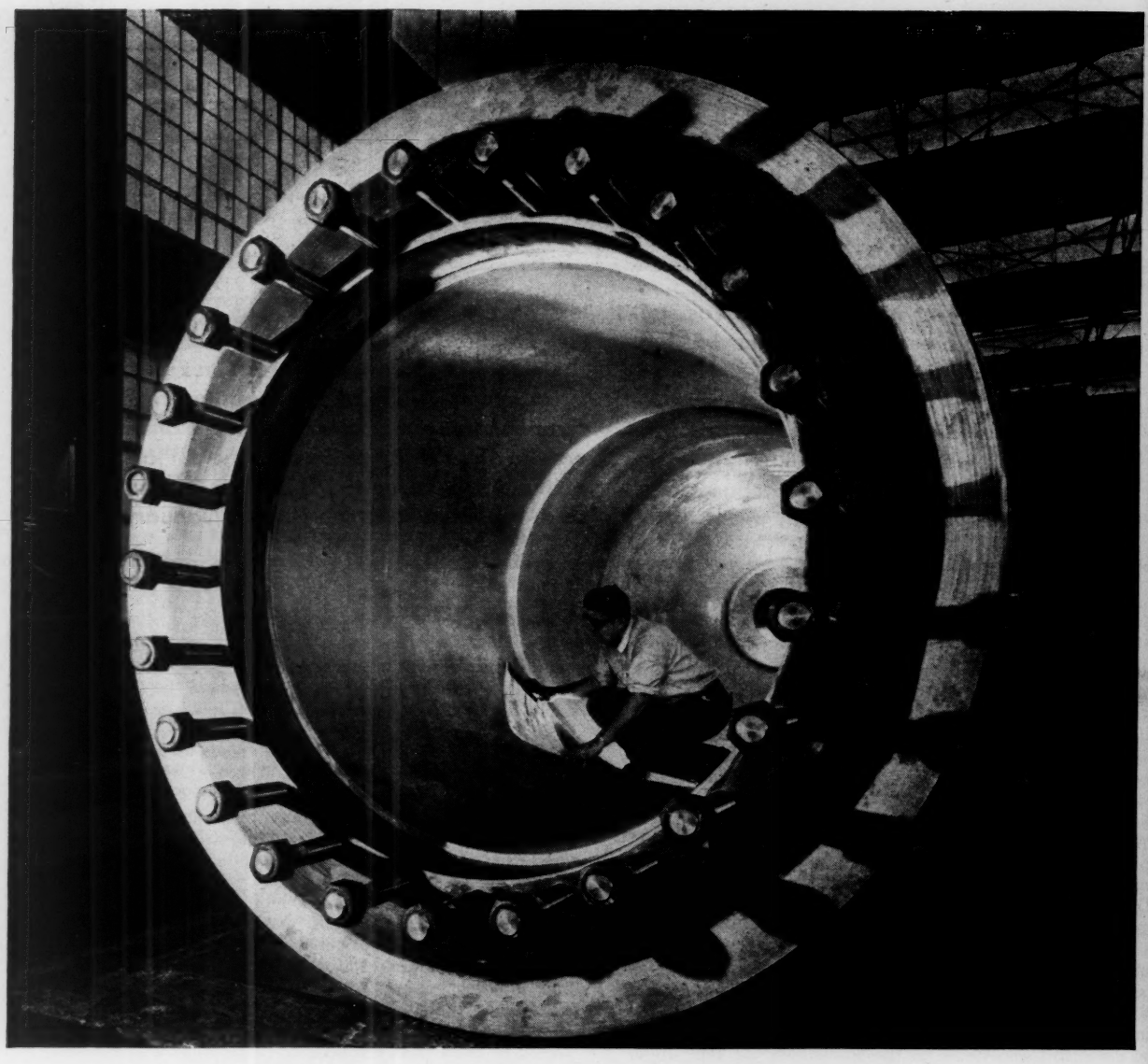
As for the Soviets, they might or might not sign the convention. If not, and the U. N. majority so voted, the agency could still operate the aerial inspection system over the USSR with negligible losses. Techniques now available enable building vehicles to penetrate air defense systems with a very low probability of detection and interception. When threats to the peace are critical, such losses, if they occur, would be more than justified.

The United Nations might also consider developing surveillance satellites in a high priority program. When they are operating successfully, electronic receivers could be located in the surveillance center of the U. N. Assembly. These satellites, which would circle the world every few hours, would regularly scan all significant areas of the earth.

This course of U. N. action might not be objectionable to the Soviets, because aerial inspection would not disrupt the Iron Curtain controls so vital to a police state. But even if they do not sign the convention, the U. N. Assembly can proceed by majority vote so that inspection need no longer be frustrated by the Soviets.

Although the U. N. General Assembly might thus be able to assume some responsibility for reporting aircraft and missile counts and for warning the world of an impending nuclear air attack, we must also press for ground inspection of major weapons as another phase of U. N. surveillance. Aerial inspection might not be foolproof enough to enable our agreement to progressive reduction of all major military forces. But it does establish the principle of inspection, and would prepare the way for a fully adequate inspection system. Only then can we proceed with progressive disarmament of all weapons not required for internal police purposes.

(Copyright 1955 by Richard S. Leghorn)



76 Tons of Steel Cylinder

This forged steel cylinder, photographed at the Bethlehem Steel plant at Bethlehem, Pa., is something really special. It's so big you could almost drive a car into it. The man you see inside, bent over a blueprint, is the machine shop foreman, giving dimensions a final check.

Bethlehem is the home of big forgings, but this whopper, measuring 6 ft across the bore, is one of the largest-diameter forgings we have ever made, although not the heaviest, in spite of its 76 tons. Some others made at Bethlehem have been considerably heavier.

The finished cylinder you see here started as a huge ingot of solid steel. In a series of heating, forging, reheating operations the ingot was squeezed and shaped into a straight cylinder open at both ends. Then, after rough machining, one end was forged shut and the cylinder forged into final shape.

The machine shop then took over again for the series of turning, boring, drilling and tapping operations to bring the cylinder to the smooth, finished state shown above. A total of 95 tons of metal were removed in machining.

This big forging is headed toward a spectacularly big job. When the last inspector had given the nod we shipped the cylinder from our plant at Bethlehem to Aluminum Company of America's Lafayette, Ind., works, where it is to be installed in a press which produces giant aluminum extrusions, most of which are for use in modern military aircraft. Pressure that the press is capable of exerting: 14,000 tons.

BETHLEHEM STEEL

BETHLEHEM STEEL

Wr
U.

Trend of American Business®

24th and N Streets, N.W.
Washington, D.C.

There's never been a boom as big as this one. Official figures are coming out now that help you to measure the size of it.

Total output of goods and services--the gross product--is running at 383 billions a year. That's a thumping gain of 7.7 billions in three months.

Best rate in 1953 was 369.3 billions a year, in the second quarter. So the present boom is running 13.7 billions ahead of the previous peak.

There's a difference, too, between this year and 1953. The 1953 top marked a turning point. Activity began to slip after mid-1953. But the signs now point to a continuing rise in output, at least through this year.

Another significant fact about this year's activity is that it is being privately generated. Government spending is off fractionally this year. But business outlays and individual spending are in a strongly rising trend.

People are spending freely for cars, appliances, shoes, clothing, nearly everything you can mention. Summer travel will be in record volume.

Business investment is rising, too. Larger amounts are going into plants and equipment. Inventory building is a substantial item again.

Construction is headed for another high mark this year.

Total private investment, at a 59-billion-a-year rate, tops 1953. For the year as a whole, it's likely to be the best on record.

Summer slowdown in activity is about as usual, smaller than expected.

Steel industry now expects only a slight dip this summer, then a rise.

Auto output in mid-July was back close to the May level.

Passenger-car production is expected to be the highest ever this year. Trade sources estimate 7.3 million cars. Past record: 6.7 million, in 1950.

Strength in autos and steel is another measure of the force of the boom.

People today are receiving more money than ever before.

Personal income now is running above 300 billions a year, before taxes. And it is to go higher. Wage increases in autos, steel, other industries, will boost the total. Federal employes are to get more money, too.

Rising incomes in the period ahead are a guarantee of higher spending.

Wage and salary payments account for almost all of the gain in incomes. They have been rising to new highs month after month.

Other forms of income have increased only moderately. These include earnings of businessmen and professional workers, dividends, rents, interest. Farm incomes are lower than a year ago.

On the whole, personal income, after taxes, advanced by 6 billions a year from the first to second quarters of 1955. The increase in spending over the

(over)

same period amounted to 3.7 billions. That may be a challenge to salesmen.

Corporate profits reflect the rise in activity in handsome fashion.

Before-tax profits hit 42.5 billions a year, seasonally adjusted, in the three months just ended. That's a record.

Profit rate is running 8.8 billions ahead of a year ago.

After-tax profits are near a record, too, at 21.2 billions a year.

Chances are that this year will see a record in profits before taxes, and maybe after taxes. Previous after-tax record was in 1950, when taxes were lower.

Dividends now are running at the record rate of 10.6 billions a year.

Retained profits are running at the same rate.

Corporations are dividing earnings 50-50 with their stockholders. In 1952, 1953, and 1954, dividends were larger than retained earnings. Companies are finding that they need more money now to finance expansion.

Stockholders, however, are likely to get more money from dividends this year than they ever got before. That explains the stock market's buoyancy.

Question raised now is: How long can the boom last?

There's no easy answer to this, but opinion is virtually unanimous that activity will rise in the second half of this year, stay high into 1956.

Another important point is that this boom is only nine months old. A rise in the business cycle usually continues considerably longer than that.

Still another point: No excesses seem to have developed yet in this boom. Prices are still relatively stable. Debt is high, but not clearly excessive. Employment is rising, but jobless are more numerous than in 1953.

Federal Reserve Board also is doing what it can to moderate the boom.

Excess bank reserves--reserves that banks do not need to cover their deposits, and therefore reserves that can be used to expand loans--have been held to moderate levels since the first of the year.

Federal Reserve policy is described as one of "mild restraint," meaning that the credit supply is being gently held back at this time.

Controlled credit supply, in turn, means that banks cannot go wild in making loans, thus bringing further stimulation to booming business.

Demand for credit normally expands in the second half of every year. This year is to be no different. Additional bank reserves, no doubt, will be made available, probably through Reserve Bank purchases of Treasury securities.

New reserves, however, are likely to be held to a point that in judgment of Federal Reserve officials is "normal," maybe a bit less than "normal."

Authorities also may raise the discount rate--the interest charged banks when they borrow from Federal Reserve Banks to increase reserves. That will tend to discourage banks from loaning too freely, particularly if they themselves must borrow to make loans. Right now they are borrowing.

Farm production appears to be headed for another record this year. That is the forecast of the U.S. Department of Agriculture.

Output of livestock is expected to be the largest ever. Crop production is expected to be the second highest on record.

1955

What ever happened to these old ads?

Today's advertisements say you need $250 a month—or more. Will the figures keep going up and up and up in the years to come? Maybe. But, as this story tells, they really don't have to.

YOU CAN GUESS pretty well when advertisements like these were published.

That's right—*before the last war.*

And you know *why* they've changed. They were based on what it cost to live at that time. Since then the cost of almost everything—food, clothes, rent, etc.—has gone up like the very dickens. The war started the spiral and *threats* of war kept it whirling up for a long time afterwards.

That's what happens when our economy gets upset.

Everything gets out of kilter and when things finally settle down, *the costs of living* settle down higher.

Isn't there something we can do about these upsets?

Isn't there some way to keep living costs in line . . . keep our dollars "honest" so they will buy just about the same amount year after year?

And *how* can we do it when it seems like we'll continue to have "threats" of emergencies throwing a "monkey wrench" into our economy for some time to come?

Wage and price controls are certainly not the answer. We tried them during the war and found that all they did (besides create black markets) was to keep us down and back.

What we need to offset the upsets of emergencies is something that will keep us going ahead . . . producing more and growing stronger as we are today.

Actually we have that "something"!

We've had it for a long time. Through the years, great men in both political parties have had a hand in developing a set of "checks and balances" for our economy. These are the Federal Reserve supervision of the nation's money and credit; the Treasury's management of the public debt; and the Congress' and Administration's taxation and spending programs. Together, they add up to a potent arsenal for combating inflation and deflation. Since early 1951, they have been doing a good job of offsetting the "monkey wrenches."

You remember some of them: the Korean situation . . . Indo-China . . . the trend toward inflation and then deflation . . . the downward swing in employment.

Each time, during these past four hectic years, the government has stepped in with its set of "checks and balances" and helped straighten up our economy.

We've kept on growing in spite of "emergencies."

As a matter of record, hourly wage rates have increased by 20%! We've had the highest employment in our history. We've had healthy increases in production and in our living standards. And the general level of retail prices during that time has varied up and down less than five percent.

If we can keep that up, we won't have to worry about how much it will cost us to live when we retire. Our retirement and pension dollars will be "honest" and they'll buy as much as—or more than—they do today.

And we *can* keep our economy good and healthy if these "checks and balances" are properly used. *They don't have to be used all the time—just when things get out of balance or emergencies threaten.*

Perhaps you'd like to know more about these "checks and balances"—what they are and how they work. There's an illustrated booklet about them called, "You, Money and Prosperity." For your FREE copy, mail coupon below.

Why is Safeway concerned about these "checks and balances"?

Safeway has a natural interest because it operates over 2,000 retail food stores. Unless Safeway's *customers* have good incomes—"honest dollars" with *reliable purchasing power*—then Safeway's business won't grow and prosper.

Many of Safeway's customers are now retired and many more will be retired in the next few years. So Safeway wants a good, healthy economy that will protect the purchasing power of *all* its customers.

And, Safeway believes, these Government financial "checks and balances" are *the best means* America has ever had to protect its economy from the "monkey wrenches" of emergency conditions and provide a *continuing* healthy economy.

SAFEWAY STORES INCORPORATED

SAFEWAY STORES, INCORPORATED
Dept. E, Post Office Box 660
Oakland 4, California

Please send FREE copy of illustrated booklet, "You, Money and Prosperity" to . . .

Name _____

Street _____

City _____ **Zone** _____ **State** _____

How the World Sizes Up Big 4 Meeting

[Continued from page 26]

perialism will dictate a capricious peace of whether the Western powers will build world security with nuclear control and gradual disarmament. The first means complete capitulation by the West, which sooner or later would have to adopt the Soviet way of life. The second means Russia would have to abandon her aggression, freeing the dominated satellites and occupying a place in a peaceful world.

Mexico City, *La Prensa*: Russia is the only known aggressor. Russian diplomacy consists of demands for co-existence which are disguising hypocritical Communist infiltration through out the world.

Mexico City, *El Universal*: Ike is showing that the best way to reconstruct peace is a new spirit. Russia should abandon the aggression which is better known by the name of "international Communism." War born in ambitions is concluded on the battlefield. Intimidation frequently forces men to desperate moves and drives them to monstrous acts.

New York, *The New York World-Telegram and The Sun*: It may seem strange to say it, but we believe that the Soviet representatives bear with them a great load of innate good will from the Russian people for the rest of the world. . . .

The problem is how to let what the late Wendell Willkie called "this great reservoir of good will" overcome the suspicion and cynicism of the Soviet Union's leaders.

When force and the threat of force can be put on the shelf, the Soviets will find no one louder with cheers than the millions of people in the West, and their leaders. That's what we're all praying for.

New York, *New York Herald Tribune*: . . . No one could have been quite prepared for the immediate offers of blueprints of U. S. military establishment and of over-flights on a reciprocal basis which he [President Eisenhower] made. . . . No nation can surrender defense rights vital to its safety and survival. The present proposals do not imply such a surrender. New agreements on disarmament can have the effect of charting and registering a brightening world situation.

If there is to be a general lifting of the Iron Curtain, the Soviets can accept the more readily these proposals for limited inspections and publicity. If there is a decline in cold-war tensions as the result of German reunification and new security pacts, the relief from the extreme burden of armaments will be welcomed on both sides. Such reductions will be a fact waiting to be formalized and ratified.

New York, *The New York Journal-American*—July 19, 1955: The Russians are in a position to bargain hard and glibly on . . . . unification of Germany, limitation of armaments, peaceful uses of atomic energy.

But we do not see what convincing response they can make to the vast world audience that can talk away Kremlin responsibility for subversive international Communism or satellite slavery. For these are the issues not of shifting policies but of continuous evil.

No one in his right mind will expect the Russians to do anything about them. But by bringing them up at this time and place the President has placed the Soviet leaders on the defensive and has called attention to the fact that the Russians' honeyed words are coming from a very curious hive.

New York, *The New York Journal-American*—July 21, 1955: What lies beneath the synthetic Soviet smiles at Geneva? A willingness to negotiate in the spirit of friendly compromise? Judging by the way the Russians have ditched the issue of a unified Germany, the key to any real peace structure in Europe, the answer is no.

In place of the harsh "Nyet" of Stalin we have the polite "Nyet" of Prime Minister Bulganin. Polite or harsh, the meaning is the same in Geneva as it was exactly 10 years ago this month at Potsdam. The Kremlin will not be diverted from its objectives, in this instance to neutralize Germany, to wreck NATO, to force withdrawal of all foreign forces from Europe, especially American.

New York, *The New York Times*: It may be assumed that President Eisenhower made this proposal [for aerial inspection of arms] in his determined effort to create a new spirit in intergovernmental relations, which he regards as of decisive importance, and also, as he explained, to convince the world of this country's deep sincerity in the matter of disarmament. Furthermore, he made his proposal after consultations with Admiral Radford, his Chief of Staff, and Mr. Stassen, his disarmament adviser . . .

But this proposal is, under present circumstances, so far-reaching that it will need further study before it is possible to pass upon its feasibility and advisability. . . . It could be interpreted by the Soviets as permitting such surveys only of those facilities on which blueprints have been exchanged, thus enabling the Soviets to hide additional facilities in the vast spaces behind the Iron Curtain. . . .

The Soviet Government itself has proposed as a first step in disarmament the establishment of control posts in such key points as big ports, railway junctions, motor roads and airdromes. But the Soviets have always opposed aerial inspection. . . . The Soviet attitude emphasizes again that there can be no effective inspection of Soviet military facilities until they remove the Iron Curtain and permit free intercourse between nations.

Washington, *The Washington Post and Times Herald*: Mr. Eisenhower obviously spoke from the heart when he proposed an exchange of blueprints on all defense installa-

tions in both the United States and the Soviet Union as well as the opening of each country to free aerial photography. . . . In effect Mr. Eisenhower is asking Russia in one swoop to lift the Iron Curtain. Desirable as is that objective, we wonder whether real progress will not come in smaller pieces. The danger in the President's grandiose concept is that it may induce the Russians to think that the United States is more interested in establishing a propaganda position than in defining realizable goals. . . .

Be that as it may, the concept is a noble one. The Russians ought to have no doubt of Mr. Eisenhower's own sincerity.

The broad meaning of the Conference is that it has afforded an opportunity for both sides to look each other over, to take a realistic survey of conditions as they are, after 10 years of guerrilla warfare. . . . President Eisenhower has been moving with bold initiative and deep humility to explore the world problems he knows best.

Baltimore, *The Sun:* The thought of inviting Russian aerial photographers to snap photographs at will of anything in the United States is a startling one to any American. It is no wonder that the Russians at Geneva received the proposal that Americans have the same privilege over their land "in stony silence." And yet, if one thinks soberly about arms reduction, such a reciprocal arrangement would be hardly more than a start. A really effective system of inspection would have to take in a lot more than photography and an exchange of blueprints.

What Mr. Eisenhower has done is to expose the hollowness and sham of most talk about disarmament. He is *really* talking about disarmament, or at any rate a genuine first step. He is being literal-minded about it. He is taking it seriously.

In proposing this simple, dramatic, reciprocal concession he takes the initiative. He has blown away the fog of vague rhetoric which has always made disarmament discussions so unrealistic and shown the world the kind of thing, the kind of concessions, that a serious effort at arms reduction really requires. So far as arms reduction is concerned, his proposal is a polite way of saying "put up or shut up."

Boston, *The Boston Post:* The people and the statesmen of the free world want peace—earnestly and honestly. The Russians may want it now—but they want it on their own terms and for their own time. They have never in any way rejected or denied their basic and aggressive aim of world domination.

. . . The West has power and a high measure of unity. The Russians are in difficulties. On the other hand, they are not desperate; as Khrushchev said, they can "hold on."

The West cannot—dare not—compromise. Our statesmen can only press firmly and resolutely for honest solutions of forbidding problems.

If they dare settle for anything less, they will have betrayed the world.

Philadelphia, *The Philadelphia Inquirer:* On the surface . . . the Russians have changed only in manner. Their basic policy with respect to Europe seems fixed. That policy still is based on pushing the United States power out of Europe, abolishing U. S. bases and U. S. aid, wrecking NATO and rendering Western Europe weak and dependent upon a "security system" which, in turn, would be dependent upon future Soviet capacity for self-restraint.

What President Eisenhower was too polite to remind Marshal Bulganin of was the fact that NATO was born of past Soviet incapacity for self-restraint. . . .

. . . Messrs. Bulganin, Khrushchev and Zhukov are not the realists we think they are if they continue to expect the West to scrap its defenses in exchange for one more promissory note.

Philadelphia, *The Evening Bulletin:* . . . Mr. Bulganin has yet to show that Russia is equally understanding of the fears which have led the West, with enormous difficulty, to organize the NATO alliance for defense against Communist aggression.

He brushed aside as "not appropriate" for discussion the 38 years of Communist efforts to destroy other governments, although, as President Eisenhower properly pointed out, this is a major source of international tension.

Columbus, *The Ohio State Journal:* . . . Because of bitter experience, the hopes and longings of the vast peoples of the earth must be tempered with wariness and protective doubts. . . .

May our hopes for world peace, both present and lasting, be realized. But we must prepare for a long road to its realization.

Detroit, *The Detroit News:* . . . There is a vast difference between warm and conciliatory opening speeches and hard agreements to unify Germany, organize European security and lay foundations for disarmament. . . .

The world is sick of the cold war, fearful of atomic war, and fed up with paying high defense taxes. But Communists talking peace can be even more dangerous than Communists talking war.

Des Moines, *The Des Moines Register:* What has failed were the extravagant hopes which had been built up over this first trial in 10 years of this particular method of negotiation: at the "summit." These hopes were exciting, and they were a long-shot possibility—but that was all.

The Conference is turning up some fresh ideas and approaches for the Foreign Ministers and the regular diplomatic services to pursue after the Presidents and the Premiers go home.

Rome was not built in a day, nor is the cold war to be settled in six days.

Minneapolis, *The Minneapolis Star:* East and West seem to be as far apart as ever on basic issues, but the chiefs of state and the men who put together their official pronouncements are stating the differences in more friendly terms.

Polite language alone won't solve problems, of course, but perhaps the cordial atmosphere at the summit will seep down into the valleys where day-to-day international relations are carried on and where possible future conferences may be held. There, in time, diplomacy may produce real results.

Kansas City, *The Kansas City Star:* Both sides realize the near-suicidal fix they are in as a result of the atomic-hydrogen arms contest. Their equally shared problem is to get themselves safely out of this race. Our hope is that the senseless rivalry of the last decade will disappear if we can only start moving toward peace based on genuine co-operation.

Until now we have had no foundation for such hope. Russia and the West had been carried too far apart by their unsettled differences.

This new precedent of meeting at the summit to prevent a particular war thus could turn into one of the most worthwhile developments in all history.

New Orleans, *The Times-Picayune:* Elimination of the basis of distrust, which is a precondition to any progress, cannot take place unless there is a two-way movement of people and goods through what is now the "Iron Curtain."

Russia cannot live with its satellites in the secrecy of isolation, adhering to a doctrine of world revolution—it cannot so live and expect to be trusted. All of the goals of the Conference tend to merge into a single, big aspiration which is to live together in peace. "Coexistence" is no longer the right word. It savors of cold war and of the rivalries for position that would create distrust and prolong propaganda on both sides.

Dallas, *The Dallas Morning News:* It is not in the record that Soviet Russia has ever made a sincere gesture, or spoken a sincere word, on behalf of peace. Why should Russia do so now?

. . . Russian leaders may have decided that—for the present at least—the world Communist revolution must be postponed—that war might mean the extinction of Communism, not capitalism.

If these things be true, we should seek any available opportunity to establish peace without a preceding war. But we must do so without lowering our guard one inch. To do that would undoubtedly aid any Russian designs for world conquest tomorrow, not today.

Houston, *The Houston Chronicle:* President Eisenhower and Secretary Dulles made a crucial mistake in not insisting at the outset of the top-level conference in Geneva that the first order of business be Soviet implementation of past agreements.

There is no point whatever in making any new agreements with the masters of the Kremlin until they live up to those they have made and broken.

In this connection it is well to point out once again that of 52 agreements signed by Russia since 1933, 50 have been broken.

Jacksonville, *Florida Times-Union:* The pattern of the whole Geneva Conference can be best understood in military terms. Diplomacy and military policy are, after all, but two sides of the same international coin.

. . . Western observers are becoming more and more convinced that what the Russians are seeking is not a real cold-war settlement but a long period of inconclusive diplomatic negotiations. They are, in military terms, engaged in a delaying action which may continue for many years.

The Soviet purpose in "giving ground" flows logically from the principles of the delaying action. It is to secure time to build Soviet economic and military strength to a point which will enable them to take the offensive once again in their over-all campaign to conquer the world for Communism.

Charleston, S. C., *The News and Courier:* The result has been the expected deadlock over the question of the future of Germany.

The variation of views expressed by President Eisenhower and Premier Faure of France, however, were not foreseen. The French leader's suggestions of a plan of budgetary controls on armaments and a security organization of all European nations goes too far in the direction of weakening our defenses against Communist aggression to suit the other Western nations.

The French proposals at Geneva are but a reflection of what we have known all along. The French are as apprehensive about the rise of Germany as about the surge of Communist power. In fact, many observers believe that most Frenchmen still fear Germany more than Russia.

Portland, *The Oregonian:* Their [the Russians] price of co-operation has been, as always heretofore, the dissolution of NATO, the removal of American troops and bases from foreign soil, the resumption of diplomatic and trade relations without compensating guarantees against aggression. Their long-range program is a paper program, which they could repudiate at will. The West, on the other hand, has demanded that the danger points be removed—primarily that Germany be permitted to unite and choose its own destiny—as steps which must be taken before armaments can be reduced in safety.

. . . Even if there is not immediate agreement on Germany, security alliances and arms reduction . . . the positions of the Big Four powers have been clarified and explained in a friendly atmosphere. The seeds of negotiation have been planted and watered. The threat of a third World War has been immeasurably reduced.

San Francisco, *San Francisco Chronicle:* . . . All Soviet leaders are bound by a belief deriving from Marx, but intensified to an obsession by Lenin, that the bourgeois-capitalist system will collapse from internal stresses, and that then the proletarian elements of society will seize power. . . .

The rapid recovery of Western Europe after 1950, and the prosperity of the free nations everywhere, contrasted with economic stagnation in the Soviet empire, has created a new world situation. . . .

The situation is simply that the bourgeois-capitalist system prevailing outside the Soviet orbit shows signs of great strength and indefinite survival. Its industrial-technical capacity steadily rises, while the industrial-technical capacity of the Soviet empire has gained only meagerly in the past five years, and in many important areas has shown losses.

This cold reality is observable to the world, excepting the masses of the Soviet empire, who are not told of it. The leaders, however, know that Stalinesque obstructionism and infiltration tactics are in large measure invalidated by events. They have only to study production indexes.

Is there a mystery, then, in their changed outward attitude toward the free world?

San Francisco, *San Francisco Call-Bulletin:* The Geneva Conference is only a beginning.

No six-day meeting, with attendant entertainment, will solve the complex problems which beset the human race. . . . Some will never be solved. . . .

If we can solve the solvable problems and leave the rest for the future, we shall have a peaceful world, for a period.

Los Angeles, *Los Angeles Times:* Whatever reasons he may give for his position, Premier Bulganin seems to understand better than some of the other heads of government at Geneva that the German problem can't be settled without Germany's consent.

A powerful country—and Germany again is a great power—cannot be coerced into effective alliance. Western Germany is in position to choose her own place in European alignments.

That is why the talks about what Germany will be told to do as the price of reunification seem unreal at this great distance from the summit and the mists that hang under it. Toward the end of the war the victorious heads of government could dispose of peoples during a friendly chat, as they did at Yalta and at Potsdam. But they can't do it any more; they are victors now only in the sense of history; one of them, France, is indeed a victor only by courtesy. . . .

Ten years after unconditional surrender, Germany, or at least its greater, more populous and powerful part, holds the most enviable diplomatic position in Europe. She may be the arbiter between East and West. There are several things being talked out at Geneva on which Germany, not Russia, Britain, France and the United States, will have the last word.

PLUS & MINUS
Latest Indicators of Business Activity

Accumulation of liquid assets by the public is continuing at a good rate as expanding business activity lifts incomes to a record high.

Personal holdings of liquid assets, shown in the top chart, have increased to about 214 billions, a gain of more than 10 billions since June 30, 1954, and 60 billions more than in 1945. Included in the total are currency, bank deposits, savings and loan shares and U. S. Government securities.

The rate of increase in the first half of 1955 was substantially greater than in the first half of 1954.

Savings bonds of series E and H were sold by the Treasury in the first half of this year at the highest rate for the period in the past 10 years. As a result, personal holdings of Treasury securities of all kinds grew to about 60.5 billions on June 30. The first-half gain contrasted with a rather sizable decline a year ago.

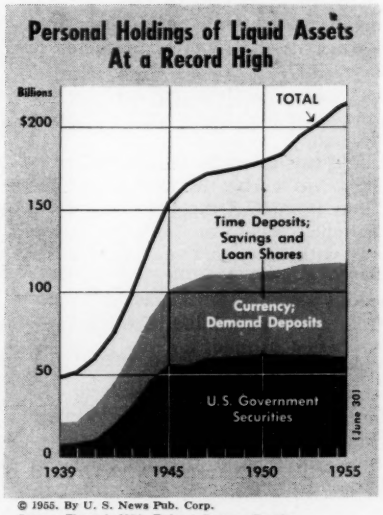
Savings and loan associations enjoyed a record growth in the first half of 1955. Personal holdings of savings and loan shares mounted to 28 billions on June 30, a rise of 2.4 billions in the half year. In the first half of 1954, the increase was 2.1 billions.

Time deposits in commercial banks, mutual savings banks and the Postal Savings System also had a good rise, though smaller than a year ago. Personal holdings of time deposits rose to 69.7 billions, up 1.9 in the half year. The gain was 2.7 billions a year ago.

Currency and demand deposits shrank seasonally in the first half of 1955, but the drop was less than a year ago. Personal holdings on June 30 totaled about 55.5 billions.

Families owning liquid assets probably are increasing in number. That happened in the year that followed the 1949 recession, when jobs and incomes were rising.

Personal incomes, after taxes, jumped to a rate of 267 billions per year in the second quarter of 1955, up 13 billions from a year ago.



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Source: Through 1954, Federal Reserve Board; 1955, USN&WR Estimate

The rate of savings, as reported by the Securities and Exchange Commission and the Council of Economic Advisers, has been running below the rate of last year. The decline, however, is due to this year's rapid increase in personal debt, which is treated by these agencies as an offset to the accumulation of liquid assets.

Uninterrupted growth of liquid assets through war, recession and prosperity reflects a multitude of influences.

Bank credit, expanding to meet the needs of war and peacetime economic growth, has created huge amounts of new deposit money.

Business firms, receiving their share of the new deposit money, have spent it for plant and equipment and inventory, passing their liquid assets along to the public in wages, salaries, dividends and interest.

The public each year adds to the liquid-asset total by depositing some of its money in savings institutions, which record an increase in savings deposits, then return the dollars to the active money supply through the purchase of bonds and mortgages.

Personal debt, rising rapidly, gives somewhat less concern when measured against the growth of personal incomes and liquid assets. Combined consumer and home-mortgage debt stood at about 114 billions on June 30, up 15 billions in the past year.

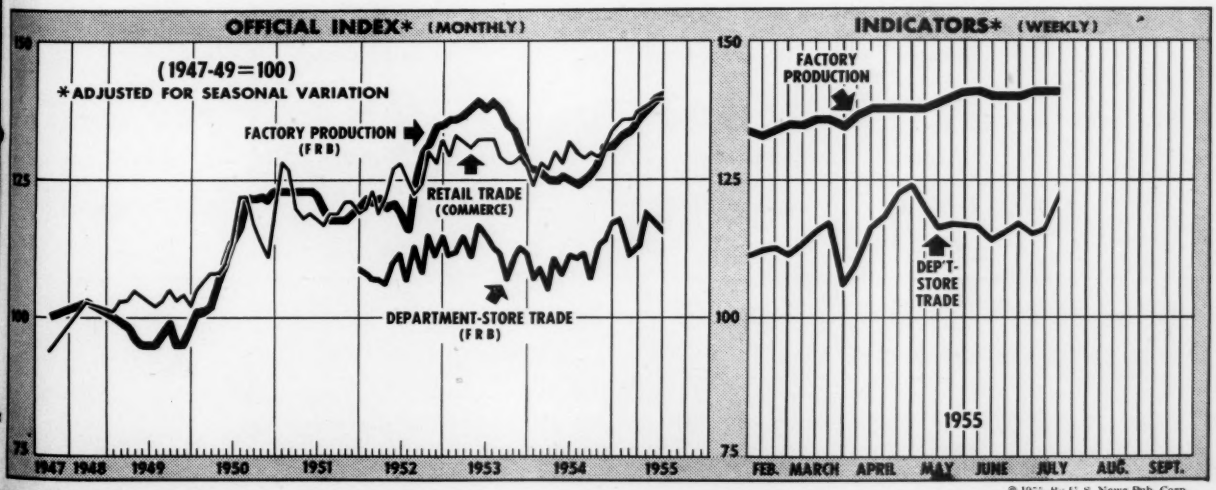
Business activity, aided by debt expansion, is still strong.

Carloadings ran 15 per cent above a year ago in the week ended July 16.

Factory output stood at 141 on the weekly indicator, holding its record level of June.

Industrial raw materials are edging higher in price. Recent gains include finished steel, steel scrap, refined copper, tin and rubber.

Confidence of the general public remains high as personal incomes and liquid assets grow. An uninterrupted high rate of spending seems assured throughout this year.



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IKE'S BUDGET: STILL IN TROUBLE

Revenues Up, but So Are Expenditures

Significant clues to future Government spending—and income—are offered in a new budget report.

Business prosperity is generating more federal income. But U. S. spending goes on at a high rate, hard to reduce. Chance for tax relief is linked to these trends.

U. S. budget returns, just in for the year ended June 30, reveal this:

● The Eisenhower Administration still is managing to beat its own predictions. More money is being saved each year than the President has forecast at the start of the year.

● Yet the Administration is finding it harder and harder to slow the huge outflow of Government dollars. Spending cuts still are being made, but they get smaller and smaller.

● The job of finding ways to reduce spending has gotten much tougher just since last January. While reductions in the year just past were sharper than the President planned 18 months ago—in January, 1954—they didn't quite measure up to what Mr. Eisenhower predicted in January, 1955.

Specifically, the President foresaw this outcome in his budget message just seven months ago:

Income was to be 59 billion dollars.
Outgo was to be trimmed to 63.5 billions from 67.8 the year before.
The deficit was to be 4.5 billions.

Now, with the year over, you can see how it came out:

Income was 60.3 billion dollars.
Outgo was 64.5 billions.
The deficit turned out to be 4.2 billions.

Income, in other words, was up 1.3 billion dollars from the January estimate. An end to the business recession—a vigorous upturn—did that for the Administration.

Yet spending was up almost as much, a billion dollars, from the January expectations.

Actually, the 64.5 billions of spending represents not an upturn in spending, but a failure to slash outlays as sharply as expected. It meant an annual spending cut of 3.3 billions below the level of the preceding year, the one ending June 30, 1954. And the cut was 1.1 billion deeper than the President had originally planned in January, 1954.

Despite this record, the fact is that spending cuts were substantially smaller than the President predicted in his January, 1955, budget message.

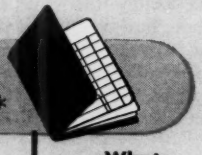
Can slashes continue? The failure to reduce spending by as much as Mr. Eisenhower was hoping only seven months ago is raising questions as to whether the Administration will be able to continue its record of reductions.

So far, the Administration has reduced Government's annual expenditures by more than 20 billion dollars—or by one fourth—from the level planned by former President Truman early in 1952. It has

(Continued on page 94)

THE EISENHOWER BUDGET—HOW IT'S FARING

(year ended June 30, 1955)



THE "REGULAR" BOOKKEEPING BUDGET:*

	What Ike Expected in January	What Actually Happened
Income	$59.0 Billion	$60.3 Billion
Outgo	$63.5 Billion	$64.5 Billion
Deficit	$ 4.5 Billion	$ 4.2 Billion

THE "CASH" BUDGET:*

	What Ike Expected in January	What Actually Happened
Income	$66.7 Billion	$67.8 Billion
Outgo	$69.1 Billion	$69.9 Billion
Deficit	$ 2.4 Billion	$ 2.1 Billion

**Unlike the "regular" budget, the "cash" budget reflects surplus revenues paid into Social Security and other trust funds.*

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The building you're sitting in...

How much of it moved over the Western Maryland?

Carloads... trainloads... of building materials, travel the Western Maryland "short cut." Many of them *start* their travels from Western Maryland territory.

Often a Western Maryland waybill reads like a contractor's bill of materials: structural steel, iron and steel pipe, steel reinforcing rods, cement, brick and tile, building paper, wallboard, insulation, plaster, plate glass.

Take cement, for example. Western Maryland carries thousands of carloads yearly—*most* of it made "on line." *You* recognize the brands—Lehigh, Medusa, North American.

If you are interested in building buildings, you appreciate the promptness of Western Maryland deliveries. And your expediters appreciate the Western Maryland's hour-after-hour reporting service.

If you are interested in building a business, there are scores of sites close to abundant supplies of raw, and semi-manufactured, materials in the region served by the Western Maryland. They are awaiting utilization by men of energy and vision. We'd like to tell you about them.

Better, we'd like to *show* them to you. Write or phone us.

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Your budget dollar: 64 cents for defense, 25 cents for fixed programs, 11 cents on items which can be cut . . .

whacked off nearly 10 billion in the last two years. The official budget calls for an additional saving of 2.1 billion in the year ending next June 30.

The question now raised is whether the Administration can meet that schedule and, thus, lay the basis for the relief that taxpayers have been led to expect.

In the budget report just out, you get a picture of spending and income trends that offers significant clues to the answer.

Spending. The record of the year just past indicates that Mr. Eisenhower still is wrestling with this problem: Of each $1 of budget spending, about 25 cents goes for programs over which the Administration has little or no control—interest on the national debt, veterans' pensions, aid to the needy and the like. And about 64 cents of each $1 goes for defense, an area where cuts are risky in a troubled world. Less than 11 cents goes for programs the Administration is free to cut.

In the programs that are open for cuts, the Administration slashed spending by more than half a billion dollars, as compared with the January goal. It was the spending on "uncontrollable" and dangerous-to-cut programs that made the big difference.

Farm price supports cost 1.25 billion dollars more in the year just ended than was expected just seven months ago. Part of that represented "earlier" spending, rather than "bigger" spending. Rising interest rates prompted investors to turn in for redemption some Commodity Credit Corporation certificates that the Administration had not expected to redeem until after June 30. Cash that went for those certificates will not have to be spent in the year just starting.

An important part of the added spending on farm price supports, however, is real—and it's expected to continue. Trends in farm production and prices make that look all but certain. In this "uncontrollable" budget item, there's little the Administration can do to save money.

Spending on pensions and other aids to veterans also is a rising commitment. Those programs took 218 million dollars more of federal revenues in the year just ended than in the preceding year.

Grants for highway construction, too, are to require more money.

Spending on the defense of the nation, meanwhile, is proving even more difficult to keep firmly in hand. Expenditures by the armed forces themselves came to 35.8 billions in the year just ended. That's 4.5 billions less than military outlays in the preceding year. Mr. Eisenhower, however, had foreseen a 6-billion-dollar reduction. Armed-forces spending, in other words, exceeded the President's January estimates by 1.5 billion dollars.

Sharp reductions in other defense outlays offset about a billion dollars of that additional expenditure. Military aid to other countries took 624 million less than expected in January, and stockpiling programs took nearly 200 million less.

Still, defense outlays were roughly half a billion greater than planned only seven months ago.

Revenues. It's on the income side of the ledger that Mr. Eisenhower is getting the breaks—after a year in which the business skid seriously reduced the Treasury take. Revenues for the year just ended were 2.3 billion dollars on the short side of Mr. Eisenhower's original forecast, back in January, 1954. Yet they were an encouraging 1.3 billion more than Mr. Eisenhower found reason to expect seven months ago.

—Hesse in the St. Louis Globe-Democrat

"TOUGH TRICK"
When will it balance?

Higher incomes going to individuals were the big reason. Taxes on those incomes yielded nearly a billion dollars more than expected in January. With retail sales rising, excises brought in 121 million more. Most other taxes, customs and odds and ends of receipts all exceeded January expectations.

Only taxes on incomes of corporations were unexpectedly low—and they were only 200 millions lower than anticipated.

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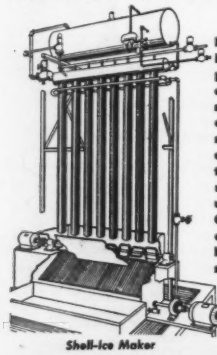

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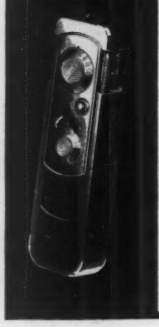

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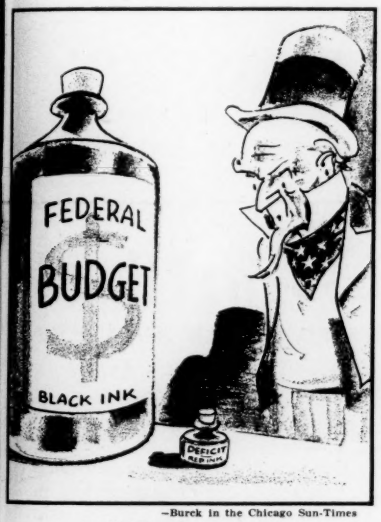
. . . Continued trend toward balanced budget

Corporations apparently were able to make more of the 1954 tax cuts than expected.

Outlook. The prospect—barring a much hotter war or a much cooler peace—is for more of these same trends.

All told, Government's income in this year just starting should be substantially larger than in the year just ended—perhaps a billion dollars larger.

Spending is to be smaller than in the year just ended—but probably little, if any, smaller than the President predicted in January. Mr. Eisenhower's record indicates he will find ways to cut defense spending still further, as promised. It's the "uncontrollable" programs—price supports, veterans' aids, highways and such



—Burck in the Chicago Sun-Times

"VINTAGE OF '56"
The deficit is shrinking

items—that are expected to give the Administration more trouble.

What this means is that unplanned expenses may just about offset previously unplanned reductions. Result is likely to be a spending total near the President's January prediction for the year ending next June 30—something like 62 billion dollars.

This adds up to a budget deficit not much more than half of the 2.4 billions foreseen by Mr. Eisenhower last January. It means for the following year, the one to start July 1, 1956, the prospect of a balanced budget and perhaps some room for tax cuts.

This, at any rate, is the prospect drawn from official records of income and outgo trends just reported by Government.

MISSILE SYSTEMS

SCIENTISTS

Typical areas of interest include:
Neutron and reactor physics; general electronics and radar; applied mathematics; systems analysis of guidance and controls; integration of ballistic type missiles with vertical guidance; upper atmosphere electromagnetic properties; RF propagation in microwaves; experimental laboratory instrumentation.
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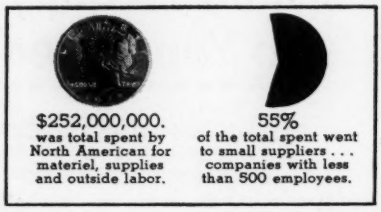
NORTH AMERICAN HAS BUILT MORE AIRPLANES THAN ANY OTHER COMPANY IN THE WORLD

SMALL BUSINESS IS BIG BUSINESS WITH US

55% OF NORTH AMERICAN'S TOTAL OUTSIDE SPENDING GOES TO SMALL BUSINESS

Building our jet air defense . . . planes like the new F-100 SUPER SABRE, FURY JET and F-86 SABRE JET . . . is a complex job in which small business plays a vital role. Last year for example, small businesses . . . firms with less than 500 employees . . . received more than 55% of the $252 million that North American spent for outside materiel, supplies and labor.



$252,000,000. was total spent by North American for materiel, supplies and outside labor.

55% of the total spent went to small suppliers . . . companies with less than 500 employees.

North American Relies on Small, Aggressive Suppliers. A company like North American operates best when its many suppliers are all "on the ball." Because small businesses are constantly increasing their efficiency, North American and the aircraft industry look to them as important additional sources . . . but before North American can add a new firm to its list of sub-contractors, the company must first survey the prospective sub-contractor and determine if the firm has the necessary machinery, personnel, production know-how and financial ability to deliver the goods.

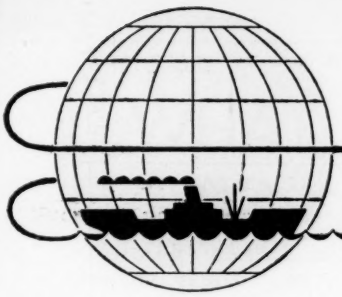
North American Experts Help Small Business Become More Efficient. Sometimes the supplier must revamp a large part of his entire production set-up. North American experts help with this work, because as the prime contractor, North American is responsible for on-time delivery and quality of the finished product. A special group from North American's Manufacturing and Quality Control Departments travels thousands of miles a month to check, coach and assist sub-contractors.

The fact that small suppliers received 55% of all North American purchases . . . proves that small business is assisting in delivery of high quality goods and services, at competitive prices . . . on time.

Yes, small business is big business with North American Aviation.

ENGINEERING AHEAD FOR A BETTER TOMORROW

NORTH AMERICAN AVIATION, INC.



Business Around the World

GENEVA • MOSCOW • LONDON • MEXICO CITY

›› Basic economic troubles of Russia are more clearly etched every day.

Labor shortage is complained of by Marshal Bulganin. Productivity of Russian workers is low. These are really two sides of the same coin. If efficiency were increased, fewer workers would be needed on a given operation.

Russian farm delegation in the American Middle West is amazed at how few hands are needed on U.S. farms. U.S. delegation in Russia is equally amazed at the large number of farmers needed to work collective farms.

This all adds up to the same thing: Russians need a lot more industrial machinery, farm equipment, tractors, etc.

But these are the very things the Russians and their satellites have been sending in quantity to Red China and North Korea and, now, will send to North Vietnam. This drain to the Orient isn't helping Soviet Europe.

›› Experts on Russia figure that industrial production goals, for years, have been met by using excessive manpower.

But now labor has to be drafted out of factories to work in new agricultural areas because of the farm crisis.

So, the growing Russian interest in buying Western machinery and machine tools, in countries such as Britain, Germany, and Switzerland, can be genuine.

It's even possible that Russian interest in demobilizing some Soviet troops may be related to this labor shortage, among other things.

›› Western nations want to do more business with Soviet Europe on non-strategic items. Most types of civilian machinery now come into this category.

Expansion of trade from the West to the Soviet sphere is not too difficult, provided adequate payment can be made. But that's the rub. There's not too much that the West wants and can count on getting from Soviet Europe.

Grain and timber used to be the mainstays of this trade. But now Eastern Europe is importing grain and exporting precious little timber.

Oil and coal are needed in Western Europe--but only if priced attractively and supplied steadily. Chrome and manganese can also be used. Manufactured products from behind the Iron Curtain too often are shoddy merchandise.

Russians have a tendency to fall down on their delivery promises and frequently don't live up to quality standards. Most Western traders now know this.

Recently, the Russians have had to sell gold to pay off their creditors in Western Europe. Nobody knows how much gold they have--probably plenty. But Western bankers aren't in any rush to extend them large, unsecured credits.

Another thing about trading with Soviet Europe--you can never be sure how long your market will last. The Russians bought a great deal of butter in the

(over)

free world last year but not this year. They are buying a lot of sugar and meat this year. Who knows what they will want next year?

>> A real problem in Western Europe today is finding space on order books. Capacity in many lines is short. Order books are filled well ahead.

Situations like this give the Russians and their friends something to work on. For example, Germans are reaching hungrily for Russian steel right now.

The Poles are trying to edge in on Western business, too. Their shipyards at Gdansk and Gdynia have been working almost exclusively on ships for Iron Curtain countries. But West European shipyards are getting pretty well jammed with construction. So, the Poles are inviting British, Dutch, and German orders on the basis of short-term deliveries and payment by barter.

Several hitches here: The only barter goods acceptable might be strategic. Also, the Poles have been making small coal-burning trawlers for the Russians and don't want to change specifications. Most Westerners need larger ships.

>> Clogged shipyards are causing Britain to lose orders to Germany, Japan and Italy. British yards have 2 million tons of shipping under construction and are booked to capacity for three years ahead.

Result: British firms cannot specify short delivery dates on ships and they hesitate to contract for firm prices far in the future.

German shipbuilders are picking up business on a delivery and price basis. One big British company just split an order this way: three ships to be built in German yards; one in Belfast. A number of British ships are being repaired in Germany. One is the "Gothic," on which the British Royal Family traveled.

>> A London newspaper, the "Daily Mail," recently sent a reporter to Hamburg with three shipyard workers from Britain to see how the Germans operate.

German efficiency is attributed to modern yards, better layout than in most British yards, three-shift operation, large-scale prefabrication--such as was used extensively in the U.S. during the war.

There's just one union in German shipyards, but there are 17 in British yards. A German riveter will paint, if need be. So will a plater or a welder. There are no interunion squabbles such as occur frequently in Britain.

The German takes home, in pay, as much spending power as a Briton. And "fringe" benefits are at least equal, if not better, in Germany.

The "Daily Mail" thinks the noticeably better harmony among workers themselves and between workers and management pays off in the German yards.

>> Things are definitely looking up in Mexico.....

Effects of last year's devaluation of the peso have been overcome, and the economy is moving ahead. First half, 1955, showed many increases over a similar 1954 period. Gains were notable in building, rail traffic and steel. Sulphur output is rising phenomenally and will turn in large export earnings.

The higher silver price, heavy demand for nonferrous metals, increased oil exports, sales of the record cotton crop are pushing exports up.

Good harvests this year will mean that no corn and beans and little wheat will have to be imported. However, manufactured imports are up.

Gold and dollar reserves are rising at a fast clip, because of the favorable balance of trade, repatriation of capital and heavy tourist receipts.

WHAT "BIG FOUR" LEADERS STOOD FOR AT GENEVA

These are the basic aims of the Big Four governments, for now and the future, as outlined by their leaders at Geneva.

You get the full texts of the four different national goals, presented by President Eisenhower, Premier Faure of France, Britain's Prime Minister Sir Anthony Eden and Russia's Premier Bulganin.

Mr. Eisenhower outlined a disarmament plan, as a U. S. goal, and urged the Soviets to lower the Iron Curtain.

Mr. Faure presented France's plan to cut all military budgets, use the savings to aid underdeveloped countries.

Sir Anthony gave Britain's aim as a mutual-defense pact, to be signed by the Big Four, plus a united Germany.

Mr. Bulganin then stated Russia's goal of an "exchange of guarantees" leading to an all-Europe security system and presented the formal outlines of the Soviet security plan and a proposal for disarmament.

EISENHOWER: "THE PROBLEMS ARE NOT INHERENTLY INSOLUBLE"

Following is full text of President Eisenhower's address at the opening of the Big Four Conference at Geneva, Switzerland, on July 18, 1955:

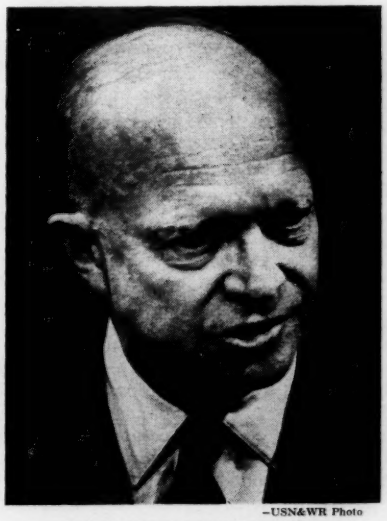
We meet here for a simple purpose. We have come to find a basis for accommodation which will make life safer and happier not only for the nations we represent but for people elsewhere.

We are here in response to a universal urge, recognized by Premier Bulganin in his speech of July 15, that the political leaders of our great countries find a path to peace. We cannot expect here, in the few hours of a few days, to solve all the problems of all the world that need to be solved. Indeed, the four of us meeting here have no authority from others that could justify us even in attempting that.

The roots of many of these problems are buried deep in war, conflicts and history. They are made even more difficult by the differences in governmental ideologies and ambitions. Manifestly, it is out of the question in the short time available to the heads of government meeting here to trace out the causes and origins of these problems and to devise agreements that could with complete fairness to all eliminate them.

Nevertheless, we can, perhaps, create a new spirit that will make possible future solutions of problems which are within our responsibilities. And, equally important, we can try to take here and now at Geneva the first steps on a new road to a just and durable peace.

The problems that concern us are not inherently insoluble. Of course, they are difficult; but their solution is not beyond the wisdom of man. They seem insoluble under conditions of fear, distrust, and even hostility, where every move is weighed in terms of whether it will help or weaken a potential enemy. If those conditions can be changed, then much can be done. Under such circumstances I am confident that at a later stage our Foreign Ministers will be able to carry on from where we leave off to find, either by themselves or with others, solutions to our problems.



–USN&WR Photo

PRESIDENT EISENHOWER

No doubt there are among our nations philosophical convictions which are in many respects irreconcilable. Nothing that we can say or do here will change that fact. However, it is not always necessary that people should think alike and believe alike before they can work together. The essential thing is that none should attempt by force or trickery to make his beliefs prevail and thus to impose his system on the unwilling.

The new approach we of this conference should seek cannot be found merely by talking in terms of abstractions and generalities. It is necessary that we talk frankly about the concrete problems which create tension between us, and about the way to begin in solving them.

As a preface, may I indicate some of the issues I think we should discuss.

First is the problem of unifying Germany and forming an all-German government based on free elections. Ten years have passed since the German armistice, and Germany is still divided. That division does a grievous wrong to a people which is entitled, like any other, to pursue together a common

. . . Eisenhower: "'Curtains' should begin to come down"

destiny. While that division continues it creates a basic source of instability in Europe.

Our talk of peace has little meaning if at the same time we perpetuate conditions endangering the peace. Towards Germans, the four of us bear special responsibilities. While any conclusions we reach would be invalid unless supported by majority opinion in Germany, this problem should be a topic for our meeting here. Must we not consider ways to solve it promptly and justly?

In the interest of enduring peace, our solution should take account of the legitimate security interests of all concerned. That is why we insist a united Germany is entitled, at its choice, to exercise its inherent right of collective self-defense. By the same token, we are ready to take account of legitimate security interests of the Soviet Union. The Paris agreements contain many provisions which serve this purpose. But we are quite ready to consider further reciprocal safeguards which are reasonable and practical and compatible with the security of all concerned.

On a broader plane, there is the problem of respecting the right of peoples to choose the form of government under which they will live; and of restoring sovereign rights and self-government to those who have been deprived of them. The American people feel strongly that certain peoples of Eastern Europe, many with a long and proud record of national existence, have not yet been given the benefit of this pledge of our United Nations wartime declaration, reinforced by other wartime agreements.

—Wide World

AMERICANS CONFER AT GENEVA

Secretary Dulles and President Eisenhower listen as Ambassador Charles Bohlen (center) makes a point

There is the problem of communication and human contacts as among our peoples. We frankly fear the consequences of a situation where whole peoples are isolated from the outside world. The American people want to be friends with the Soviet peoples. There are no natural differences between our peoples or our nations. There are no territorial conflicts or commercial rivalries.

Historically, our two countries have always been at peace. But friendly understanding between peoples does not readily develop when there are artificial barriers such as now interfere with communication. It is time that all curtains, whether of guns or laws or regulations, should begin to come down. But this can only be done in an atmosphere of mutual respect and confidence.

"Communism Seeks to Subvert"

There is the problem of international Communism. For 38 years now, its activities have disturbed relations between other nations and the Soviet Union. Its activities are not confined to efforts to persuade. It seeks throughout the world to subvert lawful governments and to subject nations to an alien domination. We cannot ignore the distrust created by the support of such activities. In my nation and elsewhere it adds to distrust and therefore to international tension.

Finally, there is the overriding problem of armament. This is at once a result and a cause of existing tension and distrust. Contrary to a basic purpose of the United Nations Charter, armaments now divert much of men's effort from creative to nonproductive uses. We would all like to end that. But apparently none dares to do so because of fear of attack.

Surprise attack has a capacity for destruction far beyond anything which man has yet known. So each of us deems it vital that there should be means to deter such attack. Perhaps, therefore, we should consider whether the problem of limitation of armament may not best be approached by seeking—as a first step—dependable ways to supervise and inspect military establishments, so that there can be no frightful surprises, whether by sudden attack or by secret violation of agreed restrictions. In this field nothing is more important than that we explore together the challenging and central problem of effective mutual inspection. Such a system is the foundation for real disarmament.

As we think of this problem of armament, we need to remember that the present burden of costly armaments not only deprives our own people of higher living standards, but it also denies the peoples of underdeveloped areas of resources which would improve their lot. These areas contain much of the world's population and many nations now emerging for the first time into political independence. They are grappling with the urgent problem of economic growth. Normally they would receive assistance particularly for capital development from the more developed nations of the world.

However, that normal process is gravely retarded by the fact that the more developed industrial countries are dedicating so much of their productive effort to armament. Armament reduction would and should insure that part of the savings would flow into the less developed areas of the world to assist their economic development.

In addition, we must press forward in developing the use of atomic energy for constructive purposes. We regret that the Soviet Union has never accepted our proposal of December, 1953, that nations possessing stockpiles of fissionable material should join to contribute to a "world bank" so as, in steadily increasing measure, to substitute co-operation in human welfare for competition in means of human destruction. We still believe that if the Soviet Union would, according to its ability, contribute to this great project, that act would improve the international climate.

In this first statement of the Conference, I have indicated

. . . Faure: "Our meeting can mark the end of the cold war"

very briefly some of the problems that weigh upon my mind and upon the people of the United States and where solution is largely within the competence of the four of us. As our work here progresses, I hope that all of us will have suggestions as to how we might promote the search for the solution of these problems.

Perhaps it would be well if each of us would in turn give a similar indication of his country's views. Then we can quickly see the scope of the matters which it might be useful to discuss here and arrange our time accordingly.

Let me repeat, I trust that we are not here merely to catalogue our differences. We are not here to repeat the same dreary exercises that have characterized most of our negotiations of the past 10 years. We are here in response to the peaceful aspirations of mankind to start the kind of discussions which will inject a new spirit into our diplomacy, and to launch fresh negotiations under conditions of good augury.

In that way, and perhaps only in that way, can our meeting, necessarily brief, serve to generate and put in motion the new forces needed to set us truly on the path to peace. For this I am sure all humanity will devoutly pray.

FAURE: "I THINK GERMANY SHOULD NOT BE NEUTRALIZED"

Following is full text of the address by French Prime Minister Edgar Faure at the opening of the Big Four Conference at Geneva on July 18:

Our meeting is of a very exceptional nature.

Before today none of us could say that he had met, even separately, the three others.

For 10 years no analogous conference has been held among heads of government.

During this 10-year period developed what is called "the cold war." Our meeting can mark the end of this special period of history and consequently of the cold war. This is what the peoples are hoping for. We have the duty not to disappoint them.

Yet, however important, vast and difficult this task may appear, it is not the only one that looms before us. Ten years ago the powers that we represent expressed the aim of organizing peace and of establishing among themselves a collaboration in order to work for well-being in the world.

Events since have marked a long eclipse of this spirit and an interruption of these plans. In this statement I shall purposely not make any comment on these events and I shall say nothing that could place blame, for I think this debatable method would hurt the effort that we are undertaking together.

—Wide World

FAURE OF FRANCE

If we can now end the period of tension and return to our starting point, we will recover the general prospect that we were considering in 1945, both as an essential and accessible thing.

To put an end to the cold war, to organize the peace and peaceful collaboration of the powers—such are the big aspects under which problems and duties confront us today. These aspects are complementary and inseparable.

It would be a mistake to want to treat in an isolated way the present causes of international tension or one among them, for new ones may always come up and, on the other hand, each problem is easier to solve if we can lift ourselves up to a level where synthesis is possible.

If we succeed in realizing among us four, on a determined point, a common will for positive peaceful action, everything will be easier.

I propose to treat in the first part of this statement the problem of the cold war and the end of international tension, in the second part the more general problem of organizing peace. These fields are very vast. In fact, the first part concerning present tension will be principally devoted to the German problem. The second part, concerning the organization of peace, will be devoted to disarmament.

I am conscious of the fact that these two subjects do not exhaust the debate. But if we advance toward their solution we shall have certainly covered the most difficult part of a long road.

The End of the Cold War

THE GERMAN PROBLEM

I should like first to mention, without going into details, the opportunity of new steps in the fields of economics, culture and information.

The impression that exists of a division of the world into blocs is not due only to the relations among states. It is illustrated and reinforced by the difficulties in the relations between populations—that is to say, essentially in the flow of goods, persons, ideas and news.

A veritable line of demarcation crosses Europe. There is an Eastern Europe and a Western Europe. Communications of all kinds between different countries are difficult and rare, in just the places where there exist traditional currents and geographical attraction.

In these three fields of economics, culture and information, I believe that our efforts ought to be directed at establishing or re-establishing the freedom and facility of exchange.

If we take such a decision in principle, our experts could translate it into a series of practical proposals which we could either put into effect in our respective national frameworks or recommend to the other states for further stages with the increased authority that the agreement of everyone would add, according to the case, to the influence of each one.

The line of demarcation that crosses Europe also crosses Germany. There is an Eastern Germany and a Western Germany. Here it is not just a question of vanished facilities or

. . . Faure: "Unification of Germany entails no increase of risk"

of aggravated regulations. If the division of the Continent is an abstraction, that of Germany is a brutal fact.

Germany's present situation is not the cause of international tension. It is, up to a certain point, its effect. But it is a cause for perpetuating this tension. It is an obstacle to developing what is called the *détente* [relaxation of tension].

I think frankly that so long as the German problem is not settled, even if there are certain improvements elsewhere, there can be no real harmonization of international life.

First question: Should Germany be united?

Incontestably yes.

There exists no valid argument, either political, economic, social or any other kind, which can justify the permanent division of a nation into two parts and of a people into two factions.

Moreover, I note that the other powers represented here have all come out in favor of this German unity. They have found themselves divided on the choice of means for realizing this unification or on the consequences that could be deduced after it happened. But on the principle there is no disagreement.

Second question: How to succeed in unification?

I think that the determination of procedure is neither very serious nor very difficult.

The Eden plan in its main lines—elections, single government, peace treaty—follows inevitable logic, without its being necessary to consider it as unchangeable in all its details.

I hold as a truth that makes good sense that if the four of us have the will to reunify Germany, it is not the questions of means that will prevent us.

We must get to the bottom of things, and this leads us to the third question.

Third question: Does the reunification of Germany present a problem of security?

It is here that the veritable discussion, the only real discussion, lies. It is by invoking security arguments that the Soviet Union has refused a thesis adopted by the three other powers; it is also for considerations of security that the United States, England and France have refused a Soviet counterproposal.

Yet nobody has ever contended that the present division of Germany guarantees by itself the security of all.

The question, therefore, is that of knowing to what extent and in what manner the reunification of Germany will change the problem of security as it now presents itself.

To answer, one must decide what the status will be, from the military point of view, of Germany when united.

Thus we arrive at our fourth question, divided into two:

1. Can Germany be neutral?

2. If not, what will be her situation?

I.—Neutralization of Germany.

This suggestion has been made. It simplifies the problem for some who think a neutralized Germany is a guarantee for peace. Others, on the other hand, contend that a neutralized Germany would constitute a vacuum of power and would increase the risks of conflict.

I think Germany cannot and should not be neutralized for the following reasons:

A. In international law it is not possible to inflict discriminatory and vexatious treatment upon a country which by hypothesis will have recovered its sovereignty and rights by a peace treaty.

B. To envisage neutralization as a sanction for the responsibilities for the war would be to deny the thesis of the Allies which imputed those responsibilities to the Nazi state and not to the German people itself. It would be to admit to the detriment of Germany the biological imperative and the racial principle that we have in the reverse sense denounced and combated.

C. No similar measure has, moreover, been taken with regard to other belligerents.

D. Outside of legal considerations, arguments of fact are opposed to neutralization.

E. In making the German people an object of suspicion we should risk awakening a national complex of susceptibility, rancor and revenge.

F. The machinery of constraint and control that would be necessary to enforce neutralization would be materially and morally impossible to conceive and to apply.

G. It may be noted that experiments of neutrality have so far been made only for small states, and because they wished it. It is impossible for a nation like Germany with an extensive territory, a particular geographical situation and a large population.

II. The neutralization of Germany being thus rejected, what, from the point of view of military forces, will be the regime of that country once it is unified?

I hold to the hypothesis that a united Germany would remain integrated in the Western European Union and the North Atlantic Treaty Organization. This hypothesis seems to me the most plausible in law and in fact.

In that case, the question of security must be examined from the point of view of the Soviet Union, since the Western powers can obviously see no reason against so doing.

Fifth question: Does German unity entail risks for the security of the Soviet Union? If so, can guarantees and reassurances be foreseen?

My personal view is that the unification of Germany, maintained within the Western European Union, and within the North Atlantic Treaty Organization, is in no sense a factor of insecurity and entails no increase of risk.

In fact, those agreements have a character purely defensive and, moreover, they entail a limitation and publicity of armaments which apply to Germany. In these conditions nobody's risks are aggravated, while a cause of tension is eliminated.

But I recognize that in our meeting each should make an effort to examine the problems not only from his own point of view but from that of the other parties.

I recognize also that the Soviet Union can have its own opinion regarding its security and that this opinion may be more exacting than that which I very sincerely have formed on the subject.

The reply to the question I put can therefore not be an objective one. It is a subjective reply that should be sought in understanding the point of view of the state most interested.

The reunion of Germany, in this view, would have the effect of increasing the general potential of a country that forms part of the Western system of accords, thus increasing the potential available to the Western system.

This result is inevitable. Therefore the question arises whether the alleged risk that might follow can be reduced or eliminated and whether the conceivable apprehensions can be allayed.

I can only make on this point a series of observations and suggestions:

1. In the first place, the increase of potential might not entail an increase of purely military potential. It would be enough that we agree to maintain the limitations provided by the Western European Union. In other words, all of Ger-

. . . Faure: "Disarmament is not of purely military interest"

many after unification would have forces no greater than those now possessed by the two thirds of Germany that belongs to the Western European Union.

2. In the second place, the Western powers should be disposed to confirm by all adequate means the defensive character of the accords. I suggest that they make commitments directly with the Soviet Union identical with those provided in the Paris accords depriving any government guilty of recourse to force of the guarantee of military assistance provided by the North Atlantic Treaty.

Moreover, the Paris accords noted the statement by the Government of the [German] Federal Republic not to have recourse to force to get reunification or modification of the German frontiers. This commitment should be taken likewise vis-à-vis the Soviet Union.

3. In the third place, I propose that we provide for including Germany in a security organization. This organization could extend to all the European states agreeing to adhere to it. It could thus superimpose new defensive commitments upon those that exist already.

This solution would bring satisfaction to all the interested powers. On Germany would be imposed a double limitation, but it would not have a discriminatory character. The Western powers would maintain the agreements they have made and the organizations they have created. The Soviet Union would benefit by a guarantee other than that proceeding from a system—the Western European Union—regarding which it might feel some uncertainty. Nothing compels us to rule out the possibility that in future these two systems of security could be fused into one.

Into that single system there should then be integrated at the same time the organization created in Eastern Europe.

I must now say that a general organization of European security including Germany will be particularly useful in case the hypothesis I have made is not realized—that is, if Germany does not remain in the Western Europe Union.

The observations I have made are intended only as indications. Other suggestions can be made. It seems to me essential to recognize the value of the three following principles:

1.—Germany must be unified.

2.—Germany cannot be neutralized.

3.—The legitimate preoccupations of each power regarding its security should be considered with the greatest attention and receive all the guarantees compatible with the first two principles.

The Constructive Organization Of Peace: Disarmament

Disarmament is at the heart of the general organization of peace. It has long been considered utopian. Today the scruples of statesmen and the fears of the public before new techniques of destruction work against skepticism.

Studies of the subcommission of the United Nations show substantial progress. It appears an accord is near on fixing limits for effectives. But we do not yet see how to get over the two principal obstacles, control and sanctions.

How to control within each country, in the name of an external authority, military assets hidden or camouflaged over great spaces? How to penalize the guilt that it would be the function of such control to disclose? Such procedures can hardly be imagined within the framework of a contract having no other object.

Effective limitations of armaments can be assumed only in the framework of an international organization having a wider object and sufficient form. It might be a military organization such as the Western European Union. It might be an economic organization, for disarmament is not a phenomenon of purely military interest. It is on these lines that we may find a solution of difficulties that so far have appeared insurmountable.

It does not seem possible now to unite the four powers we represent in an organization having common strategic capabilities. On the other hand, it seems to me possible to institute a collaboration of economic and social interest.

How can an economic organization assure a military disarmament? It suffices for that to give to the question of disarmament its full significance, not to consider its traditional and negative aspect, but the positive aspect that is its necessary complement.

It is necessary to connect the problem of disarmament with that problem that is posed by the transfer of the capacities that disarmament will liberate.

The transfer of unproductive expenses to productive expenses is difficult in the particular framework of one state, because the evaluation of security does not depend on it. It is, on the contrary, rendered possible by a collective security, which diminishes the cost of security.

Any reduction of the military potential creates a disposability of budgetary credits and means of production that can be, according to the case, the hours of work, the measures of energy, material assets.

Savings from Disarmament

Each state is capable of understanding that by diminishing its security expenditures it increases its means of production and well-being. But it alone cannot risk diminishing its security expenditures. The problem of security is an international problem. It is necessary, therefore, to internationalize at the same time the reduction of the costs of security and the disposition of the energies thus liberated and which without that would remain sterile.

An international organization would become beneficiary and creditor of the whole of the financial and material resources resulting from a contractual effort at armaments limitation. These resources would be managed by a special and common administration.

I suggest that they should be applied to the tasks of assistance and equipment concerning underdeveloped regions and unfortunate populations.

We reply thus to the idea advanced by President Eisenhower on April 16, 1953.

Such a system permits resolving the problem of control and sanction.

Control becomes a global control of a financial and budgetary type. It is easier than material control, inasmuch as the budget is a single document.

Moreover, even if the control is imperfect, sanction is assured in an automatic fashion and that is the essential point.

In effect, the common funds will benefit from the sums corresponding to the application of the contribution agreed upon. If, then, one of the participants maintains his potential at a higher level, he will be penalized by a sum equal to the amount of the dissimulation and the infraction.

The sanction is certain. If, at the beginning, it is, however, weak, the annual progressivity that is in the logic of the system will make it very soon fearful.

These new mechanisms, in the meanwhile, should by no means halt the studies that are presently in progress, notably

. . . Eden: "Chief problem—the unity of Germany"

within the framework of the United Nations organization on the technical procedure of control. This effort should not be interrupted and is perfectly compatible with the new formula that we propose.

The mechanism of the international transfer includes, moreover, a guarantee against the fear of economic recession that often accompanies a policy of arms reduction, it being observed that the contribution of each participant to the common fund can be furnished by its national production.

Finally, in addition to the technical advantages, this system has a great moral advantage. It will stimulate the interest of world opinion in the disarmament enterprise, appealing to sentiments other than those of fear and preservation, bringing forth an international spirit of human generosity.

I am not unmindful that objections can be presented. I do not wish to enter into details. The most important thing relates to the employment of the resources of the fund.

Some states will be disappointed to think that the levies made against them will profit foreign peoples or distant countries instead of serving their own equipment or for the reduction of taxes. To that there are two replies:

1. Nothing prevents any state from reducing as much as it wishes its military expenditures and profiting as it desires from this transfer. This is a question solely of conventional and simultaneous reduction, which would not operate without that. It is a question of some kind of special saving. The national production would work in the same way: one part would be destined for beneficial ends instead of being wasted in sterile use.

2. Nothing, on the other hand, would prevent the fund from coming to the assistance of certain of the participants either because they themselves have charge of underdeveloped populations or in other circumstances to be defined. Those states becoming debtors instead of creditors should in consequence submit themselves to all desirable controls for reduction as well as for use.

If these general ideas receive common endorsement, I suggest that our conference decide to adopt them and to proclaim also a new doctrine in the domain of disarmament.

We could then either present it under our common guarantee in the framework of the United Nations organization through the powers whose military potential can justify the application of a contractual disarmament or even—which seems to me preferable—decide ourselves upon the principle of creating a common organization and an appropriate administration.

It has been said that our Conference was that of the first opportunity. It could be that of the first step.

In giving our thoughts on disarmament, we cannot forget that 10 years ago, almost to the day, the first atomic bomb exploded. This terrible and ingenious invention will perhaps contribute to hastening the end of war. It should not in any case menace peace. Let us take heed here of the anxiety of men who ask themselves about their fate, who are afraid of being involuntary victims of the science that they have created.

France does not have the atomic bomb, but my Government had decided to direct its nuclear researches toward peaceful ends. She feels more than free, therefore, to ask you solemnly to seek together the means of controlling atomic armaments.

We have no right it seems to me not to respond here to the anxieties of the world whose destiny is henceforth united.

The spirit that has conquered the most extraordinary means of destruction can prevent them and turn them toward good.

But the true enemy of man is not destruction. It is anxiety. You and I can do much to relieve this.

EDEN: "WAR CAN ONLY BRING UTTER ANNIHILATION"

Following is full text of British Prime Minister Sir Anthony Eden's address at the opening of the Big Four Conference at Geneva on July 18:

This Conference is unique in history because conditions in which we meet are unmatched in human experience. We all know what unparalleled resources the scientific and technical discoveries of our age have placed within our reach. We have only to stretch out our hand and the human race can enter an age of prosperity such as has never been known. It is equally clear how utterly destructive must be the conditions of any conflict in which the great powers are engaged.

There was a time when the aggressor in war might hope to win an advantage and to realize political gain for his country by military action. The more overwhelming the military power, the more tempting was the prize and the less might the aggressor expect to have to pay. We can each of us think of examples of this in history.

Nothing of the kind is possible now. No war can bring the victor spoils: It can only bring him and his victim utter annihilation; neutrals would suffer equally with the combatants.

These are stern facts, out of which we can perhaps win enduring peace at last. The deterrent against warlike action holds up a warning hand, but the deterrent cannot of itself solve international problems or remove the differences that exist between us. It is in an attempt to make progress with these problems and differences that we are met here today. And at this Conference we have to deal mainly in the context of Europe.

What is the chief among them? There can surely be no doubt of the answer: the unity of Germany. As long as Germany is divided, Europe will be divided. Until the unity of Germany is restored, there can be neither confidence nor security in this Continent. Within the limits of our Western zone we have done all we can to unify Germany. We have broken down the barriers between our zones. We have treated the three Western areas as an economic unit and given them a Federal Government. We have brought the occupation to an end.

Quite apart from the larger issues of German reunification, it would mark a real advance if, pending our negotiations for German unity, the Soviet Government felt able to relax the physical restrictions which now aggravate the division of Germany and prevent contact between Germans in East and West.

Now I must turn to the wider issues of German unification. What is the reason why the Berlin Conference failed a year ago? We must examine this as dispassionately as we can in order to see what progress we can now make from the apparently fixed positions which the great powers on both sides then felt obliged to take.

At the Berlin Conference the West proposed unification of Germany with free elections and the free right of Germany

. . . Eden: "Suspicions have found expression in armaments"

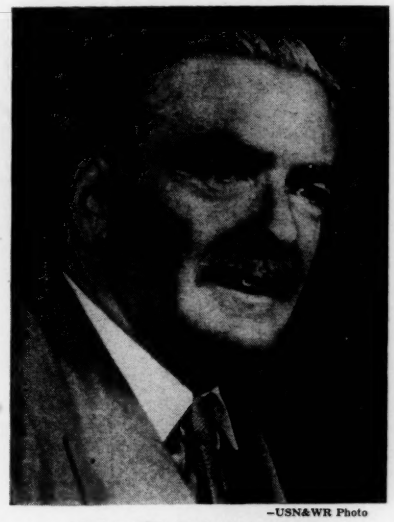
to choose her own foreign policy. Under the so-called Eden plan, Germany could have chosen either association with the West or association with the East or neutrality. But the Soviet Government was unable to accept that plan. Yet we all know in our hearts that Germany must be united and that a great country cannot be permanently prevented from freely deciding its own foreign policy.

The reason why the Berlin Conference failed was because one of the powers there believed that a united Germany, rearmed and exercising its choice to join the NATO alliance, would constitute an increased threat to its safety and security. I am not now going to argue whether those fears were justified. In these last 10 years there have been plenty of occasions for suspicions and alarms. These have found expression in heavy armaments programs.

To try to deal with these issues in their wider aspect, we have all agreed to work through the disarmament commission of the U. N. We welcome the substantial progress which has recently been made there, and the important measure of common thinking which has now emerged between the various proposals of the Western powers and those recently set before us by the Soviet Government. All these discussions will go on, but as we know, the immediate need is to make a practical start.

The urgent problem is how to begin the process of reducing tensions and removing suspicion and fear. There is also the practical question of how we can devise and operate together an effective control of armaments and armed forces.

To reunify Germany will not of itself increase or reduce any threat which may be thought to exist to European security. Everything will depend on the conditions under which reunification takes place.



—USN&WR Photo

EDEN OF GREAT BRITAIN

I wish, therefore, now to suggest that we should consider a number of interrelated proposals which are intended to do two things: First, they are calculated to meet the apprehension of increased danger which some at Berlin felt might follow the acceptance of our plan. Secondly, they are intended to make a practical experiment in the operative control of armaments. This, if locally successful in Europe, might, as it were, extend outwards from the center to the periphery.

If we can once establish a sense of security over the continent of Europe—if we can create an effective system to reduce tensions here—can we not hope that this first success will be a preliminary for a wider and more far-reaching understanding? We have therefore had in mind certain ideas which we think could be helpful to this end.

As I have said, our purpose is to ensure that unification of Germany and her freedom to associate with countries of her choice shall not involve any threat to anybody. There are, no doubt, many ways of doing this. To illustrate what I have in mind, let me give some examples. These will consist partly of actions and partly of assurances. Let us take the latter first.

We would be prepared to be parties to a security pact of which those round this table and a united Germany might be members. By its terms, each country could declare itself ready to go to the assistance of the victim of aggression, whoever it might be. There are many forms which such a pact might take. We would be ready to examine them and to set out our views about them. We would propose to inscribe any such agreement under the authority of the United Nations.

It would also be our intention that if any member country should break the peace, that country would forfeit thereby any rights which it enjoys at present under existing agreements.

Secondly, we would be ready to discuss and try to reach agreement as to the total of forces and armaments on each side in Germany and the countries neighboring Germany. To do this it would be necessary to join in a system of reciprocal control to supervise the arrangements effectively. All those represented here would, we hope, be partners in this together with a united Germany. It would be understood that any proposals in this field would not exclude or delay the work of the U. N. disarmament commission to which we attach great importance.

Is there some further reassurance we can give each other? No doubt there are many suggestions or ideas which may emerge as our talks proceed. There is one which I certainly think should be considered. We should be ready to examine the possibility of a demilitarized area between East and West.

It is true that these ideas are limited in the first instance to the area of Europe. But I am sure that they could help us here in practice and perhaps as an example.

I will sum them up. There is the suggestion of a mutual-security pact. There is the prospect of an agreement about the total of forces and armaments of the two groups, both in Germany and in the countries neighboring Germany. This would be subject to reciprocal supervision. There is the concept of a demilitarized area. If we could start work on these lines we should have a chance of providing a constructive and encouraging plan to ensure peace for Europe.

These ideas would give real security, and it is for lack of that security that Germany is kept divided today. I suggest that they should be further examined. I have given only a summary of them here. There are other aspects of our work together which I could have mentioned. For instance, we would warmly welcome any proposals which would result in greater freedom of movement and exchange of contacts between our peoples.

But it seems to me that it will be by our success in achieving some practical results about the future of Germany and European security that this Conference will be judged. We want to agree on two things: the urgent need for the unification of Germany and the broad outline of the means by which it is achieved. I do not pretend that our ideas are anything in the nature of a complete plan. But they are an outline sketch which once agreed upon could surely be filled in.

If we can draw up something like this before we leave Geneva at the end of this Conference, the peoples of the world will not be disappointed.

BULGANIN: "A RELAXATION OF TENSION IS IN EVIDENCE"

Following is full text of the address by Soviet Prime Minister Nikolai A. Bulganin at the opening of the Big Four Conference at Geneva on July 18:

Mr. Chairman: On behalf of the Soviet Government, I am happy to greet Mr. Dwight Eisenhower, the President of the United States, M. Edgar Faure, the Prime Minister of France, and Sir Anthony Eden, the Prime Minister of Great Britain, and also the members of their delegations, and to express a sincere wish that the work of our Conference be a fruitful one.

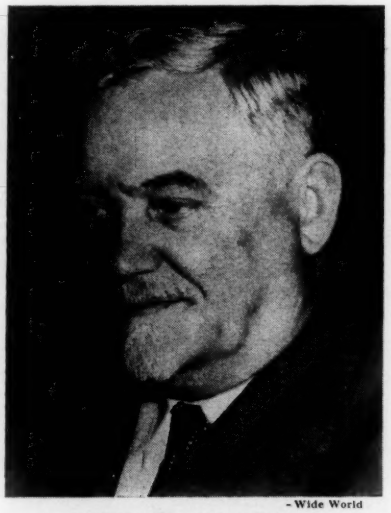
I would like to express my great satisfaction at the opportunity to establish at this Conference personal contacts with the heads of the governments of the United States, France and Britain.

The Conference of the heads of the governments of the four powers, convened in conformity with the desires of all the parties concerned, is taking place at a time when a certain relaxation of tension in international relations is in evidence and when more favorable conditions have appeared for the settlement of outstanding international issues.

What are the facts which have contributed to the relaxation of international tension?

The first thing to be mentioned is the termination of bloodshed in Korea and also the cessation of hostilities in Indo-China—developments which undoubtedly represented a considerable success for the forces of peace.

Furthermore, it is necessary to stress the significance of such events as the conclusion of the state treaty with Austria, the normalization of relations between the U.S.S.R. and Yugoslavia which has paved the way for the development of friendship and co-operation between the two countries, the success of the conference of 29 Asian and African countries in Bandung, the visit to the Soviet Union of Mr. Jawaharlal Nehru, the Prime Minister of India, as a result of which the friendly relations between the U.S.S.R. and India have been strengthened still further, the proposal made by the Government of the Soviet Union to the Government of the German Federal Republic to establish diplomatic, commercial and cultural relations between the U.S.S.R. and the G.F.R.



- Wide World

BULGANIN OF RUSSIA

It is also necessary to stress particularly the importance for relaxation of international tension of the proposal made by the Soviet Government on May 10 last, on the reduction of armaments: prohibition of atomic and hydrogen weapons and removal of the threat of a new war.

There are urgent issues dividing us, however. These issues have not been settled yet, and that is the reason why the international situation, in spite of a certain improvement, still remains tense on the whole and why the confidence between nations without which the peoples cannot feel sure of their morrow has not yet been established.

It is a fact that the so-called cold war is still on and it must be admitted that the use made in recent years of available opportunities to improve relations between our countries has been far from sufficient, and that some of the steps taken by the governments concerned in the atmosphere of distrust and tension led to a further deterioration of our relations.

All this makes it incumbent upon us, the statesmen of the four powers assembled here, to consider the current situation in earnest and to do our best to facilitate the establishment of the confidence which is essential for relations between nations, both large and small.

We were glad to hear President Eisenhower's statement, namely: The American people want to be friends with the Soviet peoples.

There are no natural differences between our peoples or our nations. There are no territorial conflicts or commercial rivalries.

Historically, our two countries have always been at peace. Further, Mr. President pointed out the need to lift artificial barriers between the two peoples.

We are in complete agreement with that, since the lifting of the said barriers would meet both the national interests of the Soviet and American peoples and the interests of universal peace.

The principal purpose of our Conference is to find ways to achieve the necessary understanding on the problems to be settled. The delegation of the Soviet Union has come to this Conference with the desire to find, through joint efforts by all the participants, solutions for the outstanding issues and, for its part, is prepared to give careful consideration to the proposals advanced by the other participants.

There can be no doubt that this is exactly what is expected of us by the people whose eyes are focused at this Conference in Geneva. It is not fortuitous that many statesmen, recognizing the unbending will of the peoples for peace, are coming out with ever-growing determination in favor of having outstanding problems settled on the basis of an adequate recognition of the legitimate rights of all parties concerned.

We are not inclined to minimize the difficulties that stand in the way towards the settlement of such problems, including the outstanding problems of Europe and Asia. These difficulties do exist and they are not insignificant, but if we have all come to this Conference with a desire to find ways to overcome them, then that would be guarantee of the success of this Conference.

The Soviet Government is of the opinion that this Conference of the heads of the governments of the four powers who are meeting for the first time in the 10 postwar years can play a historic part, provided we all show a genuine desire to achieve a relaxation of international tension and bring about a feeling of confidence between nations.

In the opinion of the Soviet Government, the purpose of this Conference is not to indulge in recriminations but to find ways and means to ease international tension and create an atmosphere of confidence in relations between nations.

The Soviet Government, for its part, is prepared to contribute together with the governments of the United States, Britain and France to the achievement of that noble purpose.

The foreign policy of the Soviet Union is clear. We have always been in favor of peace among the peoples and of

. . . Bulganin: "Objective—no foreign troops in Europe"

peaceful coexistence between all nations, irrespective of their internal systems, irrespective of whether the state concerned is a monarchy or a republic, whether it is capitalist or socialist, because the social and economic system existing in any country is the internal affair of its people.

Recognition of this indisputable fact would be of great significance for the successful settlement of the outstanding international problems.

All those who are genuinely concerned about the present state of affairs which is characterized by the armaments race, and the discovery of ever more dangerous and powerful weapons of mass destruction—a fact which enhances the threat of a new war with its incalculable miseries—cannot help associating themselves with the demand to put an end to the arms race, to ban atomic weapons and to put atomic energy to peaceful uses only and for the benefit of mankind, for the benefit of civilization.

As far as the Soviet Union is concerned, it now, as in the past, favors broad international co-operation in the field of peaceful uses of atomic energy, the importance of which was stressed by President Eisenhower in his well-known statement.

The Soviet Government has on more than one occasion stated this, both in the United Nations and in the course of the Soviet-American negotiations on the atomic problem.

The Soviet Government has taken a decision to contribute to the international pool of atomic materials of the International Atomic Energy Agency an appropriate amount of fissionable materials as soon as an agreement on setting up this agency has been reached.

Limits on Armed Forces

It should be pointed out in this connection that the Soviet Union considers it right to establish such levels of armed forces for the five powers as those which had been proposed by the United States, Britain, France and Canada.

It would be a fact of great importance if this Conference were to come out in favor of an international agreement embodying our common consent to establish the level of the armed forces of the United States, the U.S.S.R. and China at 1 million to 1.5 million men for each and of Britain and France at 650,000 men and to limit the levels of the armed forces for all other states to 150,000 to 200,000 men.

I would like to stress once again that the Soviet Government has accepted the proposal made by the three powers in regard to conventional armaments.

Now we are entitled to expect that those powers take a step which would insure agreement on the prohibition of atomic weapons. That would put the whole problem of disarmament on firm ground.

In his statement, M. Edgar Faure, Prime Minister of France, made a suggestion concerning the need to reduce military appropriations and set forth his reasons for that. We are of the opinion that these considerations are of interest and worthy of careful examination.

Furthermore, in the opinion of the Soviet Government the four powers would make a good beginning if they agreed even now to demobilize the military contingents which they are withdrawing from the territory of Austria in connection with the conclusion of the Austrian state treaty, and correspondingly reduced the strength of their armed forces. The Soviet Government has decided to carry out such a measure and invites the governments of the United States, France and Britain to follow suit.

There is no need to dwell at great length on the importance of European security, of insuring peace in Europe. The experience of history shows that Europe was the scene of the most sanguinary and devastating wars. That means that peace in Europe is of decisive importance for insuring universal peace.

The Soviet Government is convinced that the best way to insure peace and prevent new aggression in Europe is to establish a system of a collective security with the participation in it of all European nations and of the United States of America.

The adoption of appropriate decisions to that end would invigorate the whole climate in Europe and would bring about normal living conditions for the peoples of that Continent.

Military groupings of some European nations directed against others should be replaced by a system of security based on the joint efforts of all the nations of Europe—a system the principles of which have been set forth in the well-known proposals of the Soviet Government.

The difficulties standing in the way of such a system have to be reckoned with and, in particular, the fact that the powers engaged in the present talks are bound by military commitments in regard to other nations.

The Soviet Government is, therefore, of the opinion that, in order to help reach agreement, the process of establishing a collective-security system in Europe could be divided into two stages.

During the first stage, the states-parties to the treaty would not be relieved of the obligations assumed by them under existing treaties and agreements, but they would be bound to refrain from the use of armed force and to settle by peaceful means all the disputes that may arise between them.

It could be agreed that, pending the conclusion of an agreement on the reduction of armaments and the prohibition of atomic weapons, and also on the withdrawal of foreign troops from the territories of European countries, the states-parties to the treaty undertake not to take any further steps to increase their armed forces stationed on foreign territories under treaties and arrangements concluded by them previously.

End of North Atlantic Treaty

During the second stage, the states concerned would assume in full the treaty commitments related to the setting up of the collective-security system in Europe, with the simultaneous complete termination of the North Atlantic Treaty, the Paris agreements and the Warsaw treaty, and while the groupings of states created on the basis of these arrangements would be abolished and replaced by an all-European system of collective security.

In his statement, the Prime Minister, Sir Anthony Eden, spoke for the necessity of an understanding between countries on the question of European security. This is very important. This is precisely what the Soviet Union is striving for.

This step by the Soviet Government is further evidence of its desire to contribute to the solution of the problem of achieving truly effective security in Europe.

The Soviet Government is of the opinion that our eventual objective should be to have no foreign troops remaining on the territories of European states.

The withdrawal of foreign troops from the territories of European states and the reestablishment in this respect of the situation which existed prior to the second World War would in itself constitute a factor of great importance in consolidating peace, would radically improve the situation in Europe

. . . Bulganin: "Soviet Government favors German unification"

and would remove one of the essential, if not the most essential, sources of the present distrust in relations between nations.

The significance of this step becomes even more evident if viewed in relation to the reduction of armaments and the prohibition of atomic weapons.

The withdrawal of foreign troops from the countries of Europe would greatly facilitate agreement both on the reduction of conventional armaments of the nations of Europe—and not only of Europe—and on the prohibition of the use of the nuclear weapons.

It stands to reason that in putting forward these considerations the Soviet Union does not insist on any special conditions for itself, although the experience of history indicates that the Soviet Union has more valid reasons than some other nations to show concern for its western frontiers.

Past Aggression From West

It is common knowledge that aggressors attacking our country on more than one occasion forced their way through the territories of countries situated to the west of the frontiers of the Soviet Union.

We would like to know the attitude of the governments of the United States, the United Kingdom and France to the Soviet Government's considerations as stated by me both on the reduction of armaments and prohibition of atomic weapons, and on the establishment of a system of collective security in Europe and the withdrawal of foreign troops from the countries of Europe.

It is natural that time might be needed to reach the necessary agreement on any one of these matters which all have great importance for the destinies of peace, even if we were to agree on the basis for their solution.

This being so, and in view of the fact that the powers represented at this Conference have assumed certain commitments under treaties and agreements concluded with other countries, the question arises as to the steps to be taken in order that, pending the reaching of the necessary understanding, the efforts of the four powers may be directed to a relaxation of tension in relations between countries and thereby to the creation of conditions necessary for the settlement of outstanding problems, including disarmament, collective security in Europe and also the German problem which has been and remains a most important factor for the European security.

Proposing the program of disarmament and of establishing a system of the European security, the Soviet Government proceeds on the premise that the easing of tension in international relations and the creation of an effective system of security in Europe would largely facilitate the settlement of the German problem and would bring about the necessary prerequisites for the unification of Germany on a peaceful and democratic basis.

The Soviet Government, now as in the past, favors the unification of Germany in conformity with the national interests of the German people and security in Europe.

The unification of Germany as a peace-loving and democratic state would be of paramount importance both for the peace of Europe and for the German nation itself, which has on more than one occasion suffered losses and devastation caused by war. It would open up before the German people vast opportunities to develop their country's peacetime economy and culture and to improve the well-being of the population.

It must be admitted that the remilitarization of Western Germany and her integration into military groupings of the Western powers is the main obstacle at the present time to the unification of Germany.

It would be well to exchange views here, bearing in mind the need to seek a solution of the German problem even though in present circumstances we may fail to reach immediate agreement on the reunification of Germany. In that case the problem should be solved step by step.

I believe it necessary to touch upon some other matters, too.

The Soviet Government is of the view that the states-parties to the North Atlantic Treaty and Paris agreements on the one hand, and the states-parties to the Warsaw treaty, on the other, could assume mutual commitments not to use armed force against one another.

It stands to reason that these commitments must not affect the inalienable right of states to individual and collective self-defense in case of armed attack as provided for by Article 51 of the United Nations Charter.

They could further assume an obligation to hold mutual consultations in case any differences or disputes arise among them which would constitute a threat to the maintenance of peace in Europe.

Neutrality "Gaining Ground"

The Soviet Government would like to draw attention of the governments of France, Britain and the United States to one important matter which is becoming ever more important. It is known that for some time past a movement in favor of a policy of neutrality, a policy of nonparticipation in military blocs and coalitions has been gaining ground in some countries.

Experience shows that some states which pursued a neutral policy in time of war were able to insure security for their peoples and play a positive role. This was confirmed, in particular, by the experience of the second World War, although the neutrality of some countries was not beyond reproach.

The Soviet Government considers also that if some state or other, wishing to pursue the policy of neutrality and nonparticipation in military groupings, as long as these groupings are in existence, raises the questions of the guarantee of their security and territorial integrity, the great powers should meet such wishes.

In any case, the U.S.S.R. is ready to participate in such guarantees, as it has declared, for instance, with regard to Austria.

The question of the countries of Eastern Europe—the countries of people's democracy—was mentioned here.

To raise this question at the present Conference means to move us toward interference in the internal affairs of these states.

The question of the so-called international Communism has also been touched upon here. However, it is known that our Conference is convened to discuss problems of interstate relations but not to discuss the activities of some of the other political parties in various countries or relations between those parties.

Proceeding from this premise, we hold that raising this question at the Conference of the heads of governments cannot be considered as appropriate.

It is common knowledge that the regime of people's democracy has been established in those countries by their peoples themselves through the free expression of will.

Besides, nobody has authorized us to consider the state of affairs in those countries.

. . . Bulganin: "Formosa has become a dangerous hotbed"

Thus there is no ground for discussing this question at our Conference.

The Soviet Government has repeatedly stated its opinion on the need to settle the problems of Asia and the Far East.

It has, in particular, drawn attention of the countries concerned to the serious situation which has arisen in the region of Taiwan [Formosa] which has become a dangerous hotbed of complications in the Far East.

The settlement of the situation in Asia and the Far East, including the Taiwan area on the basis of the recognition of the indisputable rights of China to this island, would be of signal importance for the amelioration of the international situation as a whole.

In this connection I find it necessary to recall the well-known desire of the Government of the People's Republic of China to settle the Taiwan problem through direct negotiations between the United States and the People's Republic of China.

Note should also be made of the important question of reestablishing the lawful rights of the People's Republic of China in the United Nations.

The existing situation when Chiang Kai-shek's representative still acts in that organization while the great People's Republic of China is deprived of the possibility to occupy its seat is not only abnormal but also inadmissible.

This injustice should be rectified and the sooner that is done the better.

The Soviet Government believes that in endeavoring to ameliorate relations between countries the four-power Conference should pay due attention to the problem of strengthening economic ties between them and, in particular, to the development of trade.

The present state of affairs when artificial restrictions of various kinds have been introduced in a number of countries, as a result of which the economic and trade ties between many countries developed over many years have been broken, is one of the serious obstacles on the way to the relaxation of international tension.

Such restrictions that are usually introduced when the economy of a state is subordinated to the interests of military preparations cannot be justified in any way if one is governed by the desire for a settlement of the outstanding international problems and for the termination of the cold war.

We point this out not for the reason the economy of the Soviet Union cannot do without the restoration of normal economic and trade relations with the countries which were broken through no fault of ours.

We mention this because in this field there are considerable possibilities for establishing normal and friendly relations between countries and this could lead to favorable results for the improvement of the well-being of peoples, relaxation of international tension and consolidation of confidence among nations.

Accordingly, we stand for a broad development of international contacts and co-operation in the field of culture and science, for the removal of obstacles impeding intercourse among nations.

These are the most important questions which, in the opinion of the Soviet delegation, should be examined at our Conference, and these are the considerations which it wanted to put forward on these matters at the outset of our work.

We have listened here to the statements of the heads of government of the United States, France and Great Britain. In those statements many important questions have been raised, in respect of which we should have an exchange of views before we find a basis for necessary understanding on them.

Among these questions there are those that require further study. Besides, there are questions on which we hold a different point of view. This circumstance, however, should not, in our view, prevent our Conference from achieving success in its work.

The Soviet Government, for its part, will do all it can, so that the Conference might justify the hopes of peoples craving for a peaceful and tranquil life.

SOVIET PROPOSAL ON EUROPEAN SECURITY

Following is full text of the proposal given to the Conference on July 20, by Soviet Premier Bulganin, as released by the Soviet delegation at Geneva:

Basic principles of a general European treaty on collective security in Europe:

For the purpose of insuring peace and security and of preventing aggression against any state in Europe,

For the purpose of strengthening international co-operation in conformity with the principles of respect for the independence and sovereignty of states and noninterference in their internal affairs,

Striving to achieve concerted efforts by all European states in insuring collective security in Europe instead of the formation of groupings of some European states directed against other European states, which gives rise to friction and strained relations among nations and aggravates mutual distrust,

Having in view that the establishment of the system of collective security in Europe would facilitate the early settlement of the German problem through the unification of Germany on a peaceful and democratic basis,

European states, guided by the purposes and principles of the United Nations Charter, shall conclude a general European treaty on collective security in Europe, the basic provisions of which shall be as follows:

1 All European states, irrespective of their social systems, and the United States of America as well, may become party to the treaty provided they recognize the purposes and assume the obligations set forth in the treaty.

Until the formation of a united, peace-loving, democratic German state, the German Democratic Republic and the German Federal Republic may be parties to the treaty enjoying equal rights with other parties thereto. It is understood that after the unification of Germany the united German state may be a party to the treaty on an equal footing with any other European state.

The conclusion of the treaty on collective security in Europe shall not affect the competence of the four powers—the Soviet Union, the United States, the United Kingdom and France—to deal with the German problem, which shall be settled in accordance with decisions previously taken by the four powers.

2 The states-parties to the treaty undertake to refrain from aggression against one another and also to refrain from having

. . . "States-parties . . . shall refrain from use of armed force"

recourse to the threat or the use of force in their international relations and, in accordance with the United Nations Charter, to settle by peaceful means and in such a way as not to endanger international peace and security in Europe any dispute that may arise among them.

3 Whenever, in the view of any state-party to the treaty, there is danger of an armed attack in Europe against one or more of the states-parties to the treaty, they shall consult each other in order to take effective steps to remove the danger and to maintain security in Europe.

4 An armed attack in Europe against one or more of the states-parties to the treaty by any state or group of states shall be deemed to be an attack against all the parties. In the event of such an attack, each of the parties, exercising the right of individual or collective self-defense, shall assist the state or states so attacked by all the means at its disposal, including the use of armed force for the purpose of re-establishing and maintaining international peace and security in Europe.

5 The states-parties to the treaty undertake jointly to discuss and determine as soon as possible the procedure under which assistance, including military assistance, shall be provided by the parties in the event of there arising in Europe a situation requiring a collective effort for the re-establishment and maintenance of peace in Europe.

6 The states-parties to the treaty, in conformity with the provisions of the United Nations Charter, shall immediately inform the Security Council of the United Nations of any action taken or envisaged for the purpose of exercising the right of self-defense or of maintaining peace and security in Europe.

7 The states-parties to the treaty undertake not to participate in any coalition or alliance nor to conclude agreements the objectives of which are contrary to the purposes of the treaty on collective security in Europe.

8 The states-parties to the treaty undertake to promote a broad economic and cultural co-operation among them as well as with other states through the development of trade and other economic relations, the expansion of cultural ties on the basis excluding any discrimination and restrictions which hamper such co-operation.

9 In order to implement the provisions of the treaty concerning consultation among its parties and to consider questions arising in connection with the task of insuring security in Europe, the following shall be provided for:

(a) Regular or, when required, special conferences at which each state shall be represented by a member of its Government or by some other specially designated representative.

(b) The setting up of a permanent consultative political committee, the duty of which shall be the preparation of appropriate recommendations to the Governments of the states which are parties to the treaty.

(c) The setting up of a military consultative organ, the terms of reference of which shall be specified in due course.

10 Recognizing the special responsibility of the permanent members of the United Nations Security Council for the maintenance of international peace and security, the parties to the treaty shall invite the Government of the Chinese People's Republic to designate representatives to the organs set up in accordance with the treaty in the capacity of observers.

11 The present treaty shall not impair in any way the obligations of European states under international treaties and agreements to which they are party, provided the principles and purposes of such agreements are in conformity with those of the present treaty.

12 The states-parties to the treaty agree that during the first stage (two-three years) of the implementation of measures for the establishment of the system of collective security in Europe under the present treaty they shall not be relieved of the obligations assumed by them under existing treaties and agreements.

At the same time the states-parties to existing treaties and agreements which provide for military commitments shall refrain from the use of armed force and shall settle by peaceful means all the disputes that may arise between them. Mutual consultations shall also take place between the parties to the corresponding treaties and agreements in case any differences or disputes arise among them which might constitute a threat to the maintenance of peace in Europe.

13 Pending the conclusion of agreements on the reduction of armaments and the prohibition of atomic weapons and on the withdrawal of foreign troops from the territories of European countries, the states-parties to the treaty undertake not to take any further steps to increase their armed forces on the territories of other European states under treaties and agreements concluded by them previously.

14 The states-parties to the treaty agree that on the expiration of an agreed time-limit from the entry into force of the present treaty, the Warsaw treaty of May 14, 1955, the Paris agreements of Oct. 23, 1954, and the North Atlantic Treaty of April 4, 1949, shall become ineffective.

15 The duration of the treaty shall be 50 years.

RUSSIAN PLAN FOR REDUCING ARMS

Following is full text of a Soviet draft of a proposed arms-limitation agreement, as submitted to the Geneva Conference, but not adopted, on July 21:

Decision of the Conference of the heads of governments of the four powers on the reduction of armaments and the prohibition of atomic weapons.

To lessen tension in the relations between states, to consolidate mutual confidence between them and to remove threat of a new war, the heads of governments of the Soviet Union, the United States of America, Great Britain and France recognize the need to make efforts for the purpose of the early conclusion of an international convention on the reduction of armaments and the prohibition of atomic weapons.

As a result of the exchange of opinions on the reduction of armaments and the prohibition of atomic weapons they agreed on the following:

1 The level of the armed forces of the U.S.A., the U.S.S.R., and China shall be established at 1 to 1.5 million men for each, that of Britain and France at 650,000 men for each, while the level provided for China as well as other questions bearing upon the armed forces of China shall be

. . . Eisenhower: "We can take another step toward peace"

the subject of consideration in which the People's Republic of China shall participate.

The level of the armed forces of all other states shall not exceed 150-200,000 men and shall be agreed upon at an appropriate international conference.

2 After the reduction of armed forces and conventional armaments has been carried out to the extent of 75 per cent of the agreed reductions, a complete prohibition of atomic and hydrogen weapons shall come into effect. The elimination of such weapons from the armaments of states and their destruction shall be completed in the course of reduction of armaments to the final 25 per cent of the agreed reductions. All atomic materials shall thereafter be used exclusively for peaceful purposes.

3 Simultaneously with the initiation of measures to effect the reduction of armaments and armed forces and before the entry into force of the agreement on the complete prohibition of atomic and hydrogen weapons, the four powers shall solemnly pledge themselves not to use nuclear weapons which they shall regard as prohibited to them. Exceptions to this rule may be permitted for purposes of defense against agression, when a decision to that effect is taken by the Security Council.

4 As one of the first measures for the execution of the program for the reduction of armaments and the prohibition of atomic weapons, states possessing atomic and hydrogen weapons pledge themselves to discontinue tests of these weapons.

5 There shall be established an effective international control over the implementation of measures for the reduction of armament and the prohibition of atomic weapons.

6 The heads of governments of the four powers have instructed the foreign ministers to make efforts to reach necessary agreement on the yet unsettled aspects of the abovementioned convention which is to be considered in the United Nations Organization.

At the same time the heads of governments of the Soviet Union, the United States of America, Great Britain and France, determined not to permit the use of atomic and hydrogen weapons, which are the weapons of mass destruction of people, and to liberate nations from the threat of a destructive atomic war, solemnly declare, that:

Pending the conclusion of the international convention on the reduction of armaments and the prohibition of atomic weapons, the Soviet Union, the United States of America, Great Britain and France undertake not to be the first in the use of atomic weapons against any nation and call upon all other states to join this declaration.

EISENHOWER URGES LOWERING OF IRON CURTAIN

Following is full text of Mr. Eisenhower's address to the Conference on July 22:

According to the adopted agenda, today we meet to discuss methods of normalizing and increasing the contacts between our nations in many fields. I am heartened by the deep interest in this question, which interest implies a common purpose to understand each other better. Unfortunately there exist unnecessary restrictions on the flow between us of ideas, of things and of people.

Like other questions we have considered during the past four days, this one cannot be considered independently or in isolation. All are related by their direct importance to the general objective of lessening world fears and tensions.

To help achieve the goal of peace based on justice and right and mutual understanding, there are certain concrete steps that could be taken:

1. To lower the barriers which now impede the interchange of information and ideas between our peoples.

2. To lower the barriers which now impede the opportunities of people to travel anywhere in the world for peaceful, friendly purposes, so that all will have a chance to know each other face to face.

3. To create conditions which will encourage nations to increase the exchange of peaceful goods throughout the world.

Success in these endeavors would improve the conditions of life for all our citizens and elsewhere in the world. By helping eliminate poverty and ignorance, we can take another step in progress toward peace.

Restrictions on communications of all kinds, including radio and travel, existing in extreme form in some places, have operated as causes of mutual distrust. In America, the fervent belief in freedom of thought, of expression and of movement is a vital part of our heritage. Yet during these past 10 years even we have felt compelled, in the protection of our own interests, to place some restrictions upon the movements of persons and communications across our national frontier.

This Conference has the opportunity, I believe, to initiate concrete steps to permit the breaking down of both mild and severe barriers to mutual understanding and trust.

Now I should like to turn to the question of trade. I assume that each of us here is dedicated to the improvement of the conditions of life of our own citizens. Trade in peaceful goods is an important factor in achieving this goal. If trade is to reach its maximum capability in this regard, it must be both voluminous and world-wide.

The United Nations has properly been concerned in making available to the people of the underdeveloped areas modern technology and managerial abilities, as well as capital and credit. My country not only supports these efforts, but has undertaken parallel projects outside the United Nations.

In this connection the new atomic science possesses a tremendous potential for helping raise the standards of living and providing greater opportunity for all the world. Worldwide interest in overcoming poverty and ignorance is growing by leaps and bounds, and each of the great nations should do its utmost to assist in this development. As a result new desires, new requirements, new aspirations are emerging almost everywhere as man climbs the upward path of his destiny. Most encouraging of all is the evidence that after centuries of fatalism and resignation, the hopeless of the world are beginning to hope.

But regardless of the results achieved through the United Nations effort or the individual efforts of helpful nations, trade remains the indispensable arterial system of a flourishing world prosperity.

If we could create conditions in which unnecessary restrictions on trade would be progressively eliminated and under which there would be free and friendly exchange of ideas and of people, we should have done much to chart the paths toward the objectives we commonly seek.

By working together toward all these goals, we can do much to transform this century of recurring conflict into a century of enduring and invigorating peace. This, I assure you, the United States of America devoutly desires—as I know all of us do.

(This page presents the opinion of the Editor. The news pages are written by other staff members independently of these editorial views.)

HOW—

BY DAVID LAWRENCE

ASSUMING THE SINCERITY of a Soviet desire for peace and not for just a breathing spell, how can such a goal be achieved?

The statesmen "at the summit" have struggled with that dilemma. They have tried conciliatory words. They have tried fraternization. They have tried earnest argument. The net result thus far has been little change on substantive matters from the fixed positions that have prevailed now for several years.

Why? The simple answer is that, while the desire for peace may be strong on both sides, the instinct for self-preservation—a defense against possible attack—is still stronger.

Try as President Eisenhower might to persuade his former comrade in arms, Marshal Zhukov, to see that the North Atlantic Treaty Organization could protect Soviet Russia against a rebirth of German militarism, the Russian Defense Minister can hardly accept such a thesis if he is convinced that behind NATO is a military alliance aimed at Soviet Russia alone.

Conversely, when Marshal Bulganin proposes a 50-year collective-security treaty for Europe which is based primarily on the abrogation of the North Atlantic Treaty and the Paris Accords, the President and his Western colleagues naturally brush it aside as devious.

What we are witnessing is a demonstration of the impossibility of negotiating any important agreements when there is basic distrust.

How, then, can distrust be removed and trustfulness substituted? The Big Four meeting would have made more progress had it engaged in an analysis of what brought about the present differences of viewpoint rather than a discussion of proposals which, however meritorious in themselves, cannot be accepted on a background of bad faith.

Doctors tell us that, before they can prescribe a cure, there must be a diagnosis. Can the statesmen bring out the facts and outline accurately the points of digression since 1945 so that both sides may see clearly why there is an impasse?

They can, of course, yet they have preferred to assume that by wishful thinking the past can be made to seem non-existent.

But the past is there—before our eyes. So is the present. The satellites in Eastern Europe are there—oppressed and tyrannized—notwithstanding the pledges of the Atlantic Charter.

The situations in other vital areas are there—from North Korea to Indo-China and from one end of North Africa to the other, where Communist subversion has stimulated uprisings and aroused national passions.

The situations inside Latin America and, indeed, inside the United States are there, too—plain to see as the Alger Hisses and the Klaus Fuchses and the whole Soviet espionage system have infiltrated our institutions.

These pages of history must be re-examined and the facts hammered home. We must acquaint the people of Soviet Russia with the whole background of Communist faithlessness which has brought us to the point where today we hesitate to accept the word of the Moscow regime.

How can we make worthwhile agreements with a group of evil men who run a police state and keep millions of persons in Siberian prison camps? A dictatorship can arbitrarily start a war of aggression without giving the people a voice in such a momentous decision. We can photograph each other's military installations to satisfy a world craving for steps toward preventing war, but nobody can photograph the minds of evil men who can conceal from the camera their satanic purposes. How can we negotiate effectively with rulers who permit no political opposition, no free elections, no guarantees of individual rights?

The answer is that we cannot achieve peace with such a government, and the sooner we acknowledge that fact the clearer will be the air.

We should, moreover, use every device of publicity and communication to analyze the causes of the tension of today between East and West and carry the case to the court of public opinion throughout the world—and this includes Soviet Russia.

Why not ask the Soviet regime to permit inside all countries a free discussion of the causes of mutual distrust? Why not urge Moscow to stop "jamming" the Voice of America and our radio broadcasts? It's a simple way to bring out the truth. And if the Soviet rulers aren't afraid of argument—if they think they can answer it all persuasively—why should they not welcome the chance for the moral forces of the world to pass judgment on the debate?

War is not a solution. Compromise with principle is not a solution. But the building of a bridge of trust with the Russian people is a solution. Governments come and go—but relations with peoples can be placed on a basis of enduring and understanding friendship.

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